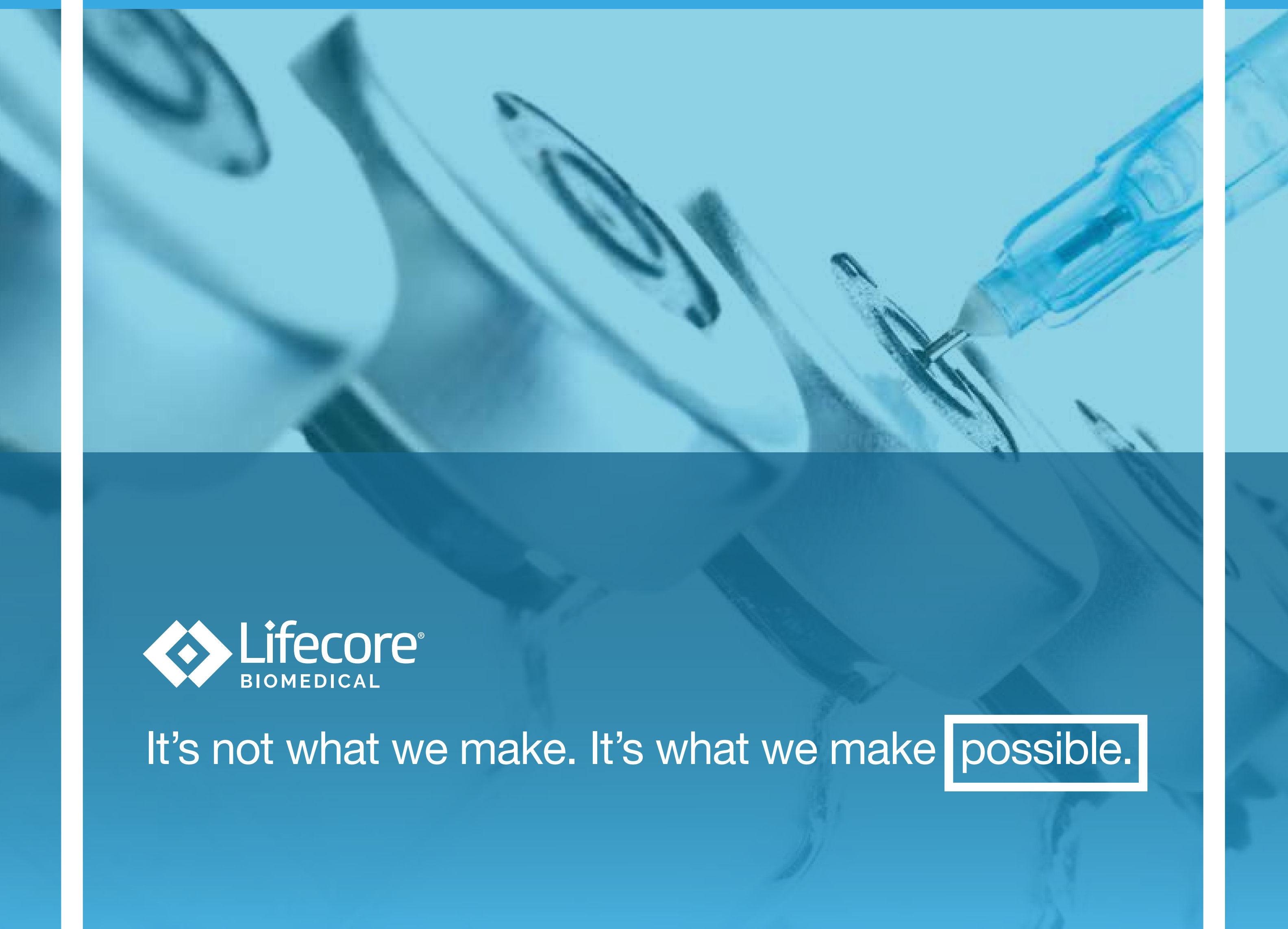
Innovation For Healthy Living

Landec 2018 Annual Report

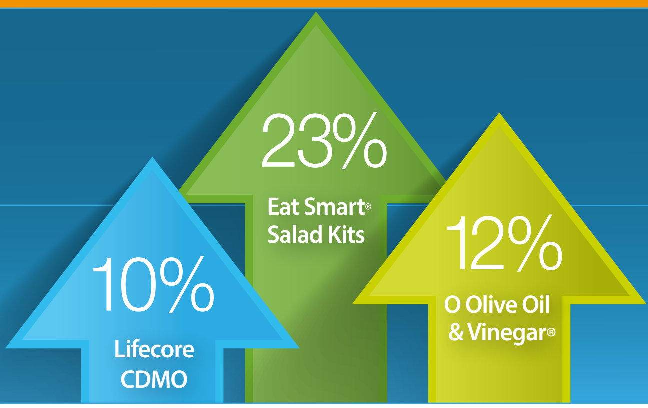


Lifecore® BIOMEDICAL

It's not what we make. It's what we make possible.

LANDEC®

Our mission is to create innovative products that support everyone's unique health & wellness journey.



Landec FY18 YOY Revenue Growth = 12%

FY18 YOY Revenue Growth
Three Landec Growth Platforms

Lifecore Biomedical

Lifecore is a fully integrated Contract Development and Manufacturing Organization (CDMO) offering expertise in the development and manufacturing of products requiring specialty formulation, aseptic filling and final packaging for FDA regulated medical devices and drug products that are difficult to process. Lifecore is also a leading manufacturer and supplier of premium injectable grade sodium hyaluronate (HA) for products that require medical grade, non-animal sourced HA within a highly regulated FDA environment. Lifecore's expertise in handling highly viscous materials, their unique processing capabilities, and dedication to a culture of "Pharma Elegance" have made Lifecore a preferred CMDO to companies developing products utilizing biomaterials that are difficult to process.

Apio (Eat Smart)

Apio's Eat Smart brand is a leader in packaged fresh vegetables with 100% clean ingredients in North America utilizing its proprietary BreatheWay® packaging technology to naturally extend the shelf life of fresh produce. Eat Smart products are distributed to consumers through club and retail grocery stores as well as food-service operators. Apio partners directly with growers to harvest the freshest produce throughout the year. This produce is transported to one of Apio's several facilities where the vegetables are trimmed, washed, sorted, and blended with other natural ingredients to be packaged into bag, tray and salad formats that make it easy and delicious for consumers to eat healthy foods.

O Olive Oil & Vinegar *(O)*

O is the premier producer of California-made, all-natural olive oils and wine vinegars. *O* is the first brand in North America to crush organic citrus with California olives to produce a signature line of specialty olive oils that contain 100% clean and traceable ingredients and recently launched its *O* Organic Apple Cider Vinegar. Consumers are rapidly switching from traditional olive oils and vinegars to all-natural options and *O* is uniquely positioned to meet this growing demand. *O* products are sold in natural food, conventional grocery and mass retail stores, primarily in the United States and Canada.

Landec FY18 Consolidated Financial Overview

During FY18, Landec discontinued its food export business and therefore the financial results below exclude the results of the discontinued food export business.

Landec Income Statement ($ in Millions)	FY18	FY17	YOY
Revenues $	$524.2	$469.8	+12%
GP $	$78.3	$79.2	-1%
GM%	14.9%	16.9%	-200 bps
EBITDA $*	$26.0	$25.3	+3%
EBITDA %*	5.0%	5.4%	- 40 bps

Landec Financial Metrics ($ in Millions)	FY18	FY17	YOY
ROIC*	5.5%	6.1%	-60 bps
Debt/EBITDA	2.8	2.1	+0.7
Cash Flows From Operations	$19.8	$29.7	-33%

* Excludes Windset dividends and FMV change

Landec consolidated revenues from continuing operations in FY18 increased 12%. Gross profit, EBITDA, ROIC and cash flow from operations were all negatively impacted in FY18 from $7.8mm of unplanned produce sourcing costs as a result of weather related issues.

Revenues from continuing operations in FY18 increased 12% to $524.2 million compared to $469.8 million last year. The increase was primarily due to a $46.9 million or 12% increase in revenues in Apio's packaged fresh vegetables business and from a $6.0 million or 10% increase in Lifecore revenues.

Net income from continuing operations for FY18 was $25.8 million, or $0.92 per share, compared to $10.1 million, or $0.36 per share, in the year-ago period. The increase was a result of (1) a $14.3 million, or $0.51 per share, one-time tax benefit from the new lower corporate income tax rate as a result of the new tax reform, (2) a $2.0 million increase in the change in the fair market value of the Company's investment in Windset from a $900,000 increase last year compared to $2.9 million increase in FY18, (3) a $1.8 million or 7% increase in gross profit at Lifecore, and (4) a $1.2 million increase from the loss on debt refinancing during FY17. These increases in net income were partially offset by (1) a $2.0 million or 4% decrease in gross profit in Apio's packaged fresh vegetables business primarily due to $7.8 million of unplanned produce sourcing costs as a result of weather related issues during FY18 and (2) an $815,000 increase in the pre-tax loss at *O*.

Our balance sheet and cash generation remain strong. We ended FY18 with $2.9 million in cash. Debt at FYE18 was $72.9 million with a debt-to-equity ratio of 29%. Cash flows from operations for FY18 were $19.8 million. Capital expenditures for FY18 were $33.6mm.

During FY19, the Company will continue to invest in innovation and new initiatives that will accelerate growth in FY20 and beyond within its three growth platforms by: (1) growing its Eat Smart salad business, (2) expanding its higher margin natural food product offerings, and (3) growing our Lifecore CDMO business by investing in new capabilities, such as the new multi-purpose vial filling line, in order to expand the Company's product development pipeline with opportunities poised for future commercialization.

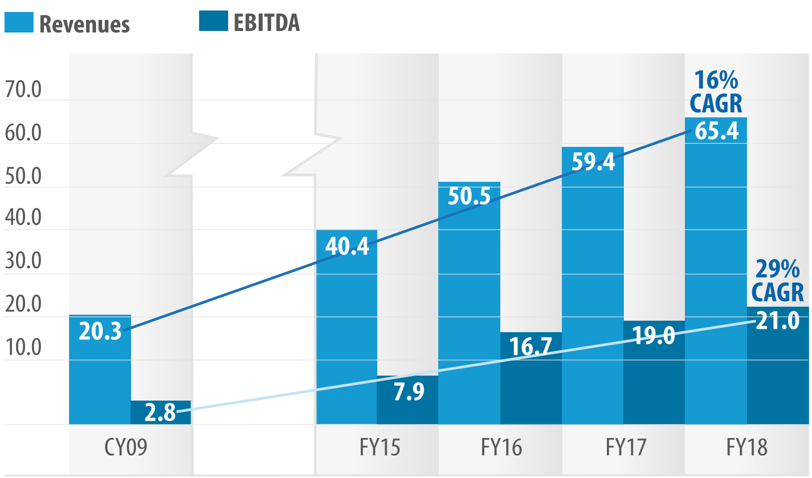
Lifecore FY18 Year-Over-Year Revenues Grew 10%

Lifecore FY18 Results

Revenues	$65.4mm
GM%	43.7%
EBITDA before intercompany charges	$21.0mm
Cash Flow from Operations before intercompany charges	$19.9mm

Lifecore had another good year in FY18, exceeding performance expectations with annual revenues of $65.4 million, a 10% increase compared to FY17, and operating income of $17.3 million, an increase of 9% compared to last year. Lifecore has completed the transition from being solely a supplier of premium HA to being a fully integrated CDMO.
The CDMO portion of Lifecore's business is comprised of product development services, specialty formulation and aseptic filling services, and final packaging services for products delivered in either syringes or vials.

Lifecore Revenues and EBITDA Growth ($ in Millions)



Lifecore differentiates itself from other CDMOs by providing specialized development and manufacturing services for pharmaceutical and medical device products that are difficult to formulate, sterilize, fill, and package. These services address the entire product life cycle, from early stage development activity through commercial production and distribution. In FY18, Lifecore expanded its commercial manufacturing pipeline by receiving FDA approval to manufacture and distribute two new HA-based products, and made further progress by increasing its product development pipeline of HA and non-HA products which will fuel future growth.

Lifecore BIOMEDICAL

Lifecore completes transition to CDMO for Difficult-to-Handle Biomaterials

Lifecore has recently completed the installation of a multi-purpose filling line. Validation is scheduled to begin during the first half of FY19, with commercial production scheduled to begin by the end of FY19 or early FY20. The multi-purpose filling line will primarily be utilized for aseptically filling products into vials, but can also be used for filling syringes. The versatility of the new line was specifically designed to align Lifecore's capabilities with the growing needs of the market and the expectations of Lifecore's partners, and further enhances Lifecore's growth strategy as a CDMO. Although commercial revenue generated with the new multi-purpose filling line will vary depending on product mix in any given year, at full capacity the new line has the potential to generate $40 million to $50 million of new product revenue annually.

Lifecore's CDMO business continues to benefit from a growing trend among pharmaceutical and medical device companies to outsource specialty development and manufacturing services. With a growing number of products under clinical evaluation seeking FDA approval, Lifecore remains well positioned to continue to build its development and commercial product pipeline to fuel and sustain long term growth. Lifecore's CDMO business is expected to continue to generate double digit growth on average over the next five years through the continued expansion of business with its existing customers, adding business through new customer partnerships, and through the commercialization of products that are currently under development at Lifecore.

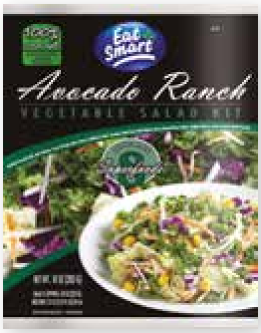
Lifecore Evolution

Before Acquisition (April 2010)		Today (May 2018)
Opthalmic and Orthopedic	New Markets	Oncology, ENT, Pulmonary, Neurology, General Surgery
Hyaluronic Acid (HA)	New Materials	Synthetic Polymers and APIs
Medical Devices	New Products	Drugs, Combination Products, Biologics
Fermentation, Filling, Project Management, Analytical Services	New Services	Aseptic Filling, Regulatory Assistance, Formulation, Technology Transfer
114,000 square feet and 1.0 million syringes	New Capacity	210,000 square feet and 9.0 million syringes
$20.3 million	Sales Growth	$65.4 million
$2.8 million	EBITDA Growth	$21.0 million
120 employees	Employees	247 employees

Salad Kits FY18 Year-Over-Year Revenues Grew 23%

Apio FY18 Results

Revenues	$455.0mm
GM%	10.8%
EBITDA excluding Windset FMV change and intercompany charges	$21.1mm
Cash Flow from Operations before intercompany charges	$17.3mm



Apio has been focused on new product innovation to drive market differentiation and to transform from a packaged vegetable business to a branded natural foods business. Over the last several years, Apio has expanded its product segments from the traditional lower margin core vegetable bags and trays to the adjacent high growth, and more profitable salad segment while "right-sizing" specific segments of its bag, tray and export businesses ultimately resulting in exiting the export business during the fourth quarter of FY18.

In FY18, Eat Smart salad revenues grew a tremendous 23% compared to FY17, driving overall Apio revenue growth of 12% for the fiscal year. The growth in multi-serve salad kits was primarily driven by a 50% increase in salad revenues from the U.S. retail channel during FY18 compared to the category growth of 10% for the same period. Eat Smart made significant gains in distribution in the U.S. retail market. The Nielsen U.S. retail All Commodity Volume (ACV) for Eat Smart multi-serve salad kits for the 52-weeks ended May 26, 2018 increased 21 percentage points, from 24% to 45%. In an ongoing effort to make Eat Smart products available to all consumers, Eat Smart is aligning itself with strong partners across all channels, including the growing online and direct-to-consumer channels.

Unfortunately, Eat Smart's gross margin was negatively impacted by historic weather events during FY18 that resulted in a significant increase in the cost of produce. These events included hurricanes and tropical storms, freezing temperatures in Florida and persistent unseasonably warm temperatures in Western growing areas, resulting in incremental produce sourcing costs of approximately $7.8 million during FY18. Excluding these excess sourcing costs, the gross margin in our packaged fresh vegetable business would have been 12.5%, or the same as last year, even after taking into account a 10% increase in labor rates this fiscal year compared to last fiscal year and a significant increase in promotional expenses.

Well over a year ago, the Company made the commitment that all of its Eat Smart products, including all dressings, toppings and dips, would contain 100% clean ingredients by the end of calendar year 2018. The Company is on track to deliver this commitment. For Eat Smart, a "clean label" means that the product contains no high fructose corn syrup, no preservatives and no artificial flavors, colors or ingredients. The clean food movement is accelerating, sparked by health-conscious consumers who prefer to know exactly what is and isn't in the food they are eating. Eat Smart is the first brand in the non-organic salad kit and tray category to commit to clean ingredients and labeling.

O FY18 Year-Over-Year Revenues Grew 12%

O Olive Oil & Vinegar FY18 Results

Revenues	$3.8mm
GM%	16.6%
EBITDA	($902k)
Cash Flow from Operations	($2.4mm)

O is based in Sonoma County, California, and is the premier producer of specialty all-natural and organic olive oils and wine vinegars sourced from California growers. *O* products are sold in natural food, conventional grocery and club stores, primarily in the United States and Canada. In FY18, *O* delivered revenues of $3.8 million, a growth of 12% compared to the twelve months ended May 28, 2017, and an operating loss of $1.0 million as a result of the historic fires in Northern California during the second quarter of the fiscal year. *O* faced significant permitting delays that resulted in a nearly seven month delay to the startup of its new vinegar production facility operations. These devastating circumstances resulted in delays of new product shipments and lower revenue than planned during FY18.

The market size for olive oils and vinegars in U.S. multi-channel outlets is approximately $3.1 billion. *O* products compete in the product segments of olive oils and vinegars that make up approximately $1.8 billion of the total $3.1 billion market. The premium olive oil segment is growing at 4% while *O*'s olive oil sales grew at 28% during FY18. Within the vinegar category, conventional wine vinegars comprise 21% of the market and are declining at 5% while the premium wine vinegar segment and *O* premium wine vinegar products are each growing at more than 5%.

The olive oil and vinegar markets are currently experiencing a dramatic shift in consumer behavior, from conventional products to natural and organic olive oils and vinegars. *O* is uniquely positioned to take advantage of this transition. Retailers across North America are making clean label and organic products a priority. *O* sells a variety of products, including certified organic options, that are all-natural, high quality, great tasting and with easily traceable ingredients for retailers to offer their consumers. *O* is the first company in North America to crush organic citrus with California olives to produce a signature line of specialty olive oils.

O finished its first production of *O* Organic Apple Cider Vinegar at the end of FY18. Carefully fermented in California's Sonoma Valley, *O* Organic Apple Cider Vinegar is full of bright, fresh apple flavor without a harsh aftertaste. With no artificial flavors or preservatives, *O* Organic Apple Cider Vinegar is raw, unfiltered and contains live cultures. The market for apple cider vinegar in U.S. retail has increased rapidly over the last three years reaching $245 million in U.S. consumer retail sales. This market is growing at an average annual growth rate of 20%, driven by a 44% growth in organic products over the same period. *O* intends to penetrate this market with a better tasting, organic apple cider vinegar product option.

O products are a clear adjacency to Eat Smart salad kit products that include dressings. The strong product innovation capabilities of the *O* team coupled with the Eat Smart supply chain, logistics and customer reach, provide the road map for accelerated profitable growth in *O*'s business for years to come.

OLIVE OIL & VINEGAR

Growth. Innovation. Transformation. Market Expansion. And Cost-Out.

Dear Shareholders,

In FY18, each of Landec's three growth platforms delivered year-over-year double-digit revenue growth, resulting in consolidated revenue growth of 12%. Revenues in our Lifecore CDMO business grew 10%, our Eat Smart Salad revenues grew a tremendous 23% and our new *O* Olive & Vinegar business grew revenues by 12%. For FY18, Landec EPS from continuing operations, excluding the one-time tax benefit from the recently enacted tax reform, grew by 14% from \$0.36 per share in FY17 to \$0.41 per share for FY18.

Since Landec's acquisition of Lifecore in 2010, Lifecore revenues have grown at a CAGR of 16% and EBITDA has grown at a CAGR of 29%. Lifecore was founded based on proprietary processes for fermenting premium-grade, FDA approved hyaluronic acid (HA) for the ophthalmic and orthopedic markets. Over time, the Lifecore team perfected techniques for handling this highly viscous material and added formulation, filling and aseptic services. With this unmatched knowledge and differentiated capabilities, Lifecore has expanded into other markets that require specialized processing of difficult-to-handle biomaterials. In FY18, the installation of Lifecore's new \$16 million multi-purpose filling line marked the completion of Lifecore's transition to a fully integrated CDMO, with the technologies and services to expand the breadth of products they offer and markets they serve.

In our food business, we are in the midst of a transformation from a packaged vegetable company to a natural foods company, with a portfolio of brands containing fresh,100% clean ingredients. Landec's entrepreneurial innovation team, refrigerated food supply chain and direct produce sales force are uniquely qualified to deliver fresh, plant-based food products to consumers in retail stores, club stores and food service venues throughout North America.

Eat Smart, a leader in packaged fresh vegetables, utilizes its proprietary BreatheWay packaging technology to naturally extend the shelf life of fresh produce. *O* offers organic and all-natural premium olive oils and vinegars sourced from California growers, in addition to its newly launched *O* Organic Apple Cider Vinegar.

In FY19, the Company will launch a third brand, Now Planting®, within its food business that will focus on delivering pure-plant meal solutions to plant-forward consumers. The growing population of plant-forward consumers are eating less meat, with approximately 70% of their diet coming from plants. As this consumer segment continues to grow in both the U.S. (17% of the population) and Canada (23% of the population), more people are searching for pure-plant meal solutions than ever before. With its portfolio of brands, Landec is uniquely qualified to partner with its strategic customers to deliver pure-plant meal solutions to this consumer.

In FY19, we will focus on reducing operational costs in our historical vegetable bag business, one of Eat Smart's business segments. Despite our best-in-class ability to understand the consumer, to innovate new products, to disrupt and create new categories and, ultimately, to grow our revenues, we cannot deny the increasing volatility and higher costs from this portion of our food business. We will now assume that abnormal weather is the new normal and begin working to create a lower cost basis in our food business. This will ensure that the profits we are generating from the launch of higher margin products is available for investment back into the business or to contribute to earnings. As such, we enter fiscal year 2019 with not only a focus on revenue growth, but a strong and concentrated effort on removing costs in our food operations.

Landec has a bright future ahead. We will continue to invest in development programs and capital to support the growth of Lifecore and enable the transformation of our food business, while aggressively pursuing cost-out opportunities in our bagged fresh vegetable food business. Investments in multiple new venture initiatives will negatively impact profits in the short-term but are establishing a path to meaningful profit growth and enhanced shareholder value in the long-term.

Molly Hemmeter

Molly Hemmeter
Landec President & CEO

2018 Proxy Statement And 10-K

Landec Corporation 2018 Annual Report

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON OCTOBER 12, 2018

TO THE STOCKHOLDERS OF LANDEC CORPORATION:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Landec Corporation (the "***Company***") will be held on Friday, October 12, 2018, at 8:30 a.m. local time, at the Garden Court Hotel, 520 Cowper Street, Palo Alto, CA 94301 for the following purposes:

1. To elect five directors to serve for a term expiring at the Annual Meeting of Stockholders held in the second year following the year of their election and until their successors are duly elected and qualified;

2. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending May 26, 2019;

3. To approve a non-binding advisory proposal on executive compensation; and

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

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

We are pleased to announce that, this year, you will have the opportunity to participate in our Annual Meeting via live audio webcast. In order to attend and vote at the Annual Meeting via webcast, please follow the instructions in the section of the Proxy Statement titled "Information Concerning Solicitation and Voting—Virtual Attendance at the Annual Meeting" on page 3.

Only stockholders of record at the close of business on August 17, 2018, are entitled to notice of and to vote at the meeting and any adjournment(s) thereof.

All stockholders are cordially invited to attend the meeting in person or 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/ Geoffrey P. Leonard

GEOFFREY P. LEONARD
Secretary

Santa Clara, California
August 22, 2018

IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE 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 MEETING AND SO DESIRE, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON. THANK YOU FOR ACTING PROMPTLY.

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LANDEC

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON OCTOBER 12, 2018

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed proxy is solicited on behalf of the Board of Directors of Landec Corporation, a Delaware corporation ("***Landec***" or the "***Company***"), for use at the annual meeting of stockholders (the "***Annual Meeting***") to be held on Friday, October 12, 2018, at 8:30 a.m., local time, or at any postponement or adjournment thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the Garden Court Hotel, 520 Cowper Street, Palo Alto, CA 94301. The telephone number at that location is (855) 516-1092.

We are pleased to announce that this year you will have the opportunity to participate in our Annual Meeting via live audio webcast at www.virtualshareholdermeeting.com/LNDC. In order to attend and vote at the Annual Meeting via webcast, please follow the instructions in the section titled "Information Concerning Solicitation and Voting—Virtual Attendance at the Annual Meeting" on page 3.

The Company's principal executive offices are located at 5201 Great America Parkway, Suite 232, Santa Clara, California 95054. 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, 2018 to all stockholders entitled to vote at the 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 12, 2018.

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 SEC 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 Gregory S. Skinner, Chief Financial Officer, Landec Corporation, 5201 Great America Parkway, Suite 232, Santa Clara, CA 95054 (telephone number: (650) 306-1650). Exhibits to the Annual Report may be obtained upon written request to Mr. Skinner and payment of the Company's reasonable expenses in furnishing such exhibits.**

Voting Procedure

You may vote by mail.

To vote by mail, please sign your proxy card and return it in the enclosed, prepaid and addressed envelope. If you mark your voting instructions on the proxy card, your shares will be voted as you instruct.

You may vote in person at the Annual Meeting.

We will pass out written ballots to anyone who wants to vote at the Annual Meeting. Holding shares in "street name" means your shares of stock are held in an account by your stockbroker, bank or other nominee, and the stock certificates and record ownership are not in your name. If your shares are held in "street name" and you wish to attend the Annual Meeting, you must notify your broker, bank or other nominee and obtain proper documentation to vote your shares at the Annual Meeting.

You may vote by telephone or electronically.

You may submit your proxy by following the Vote by Phone instructions accompanying the proxy card. Also, you may vote online by following the Vote by Internet instructions accompanying the proxy card.

You may change your mind after you have returned your proxy card.

If you change your mind after you return your proxy card or submit your proxy by telephone or Internet, you may revoke your proxy at any time before the polls close at the Annual Meeting. You may do this by:

- signing and returning another proxy card with a later date, or
- voting in person at the Annual Meeting.

Voting

Holders of Common Stock are entitled to one vote per share.

Votes cast in person or by proxy at the Annual Meeting will be tabulated by the Inspector of Elections. The Inspector of Elections will also determine whether or not a quorum is present. A majority of the shares entitled to vote, represented either in person or by proxy, will constitute a quorum for the transaction of business. The Inspector of Elections will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

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. Shares present and not voted, whether by broker non-vote, abstention or otherwise, will have no effect on this vote.

Proposal No. 2 – Ratification of independent registered public accounting firm: This proposal must be approved by a majority of the shares present and voted on the proposal. Shares present and not voted, whether by broker non-vote, abstention or otherwise, will have no effect on this vote.

Proposal No. 3 — 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 the director nominees proposed by the Board of 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 26, 2019; 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 these matters.

Record Date and Share Ownership

Only stockholders of record at the close of business on August 17, 2018, are entitled to notice of, and to vote at, the Annual Meeting. As of August 17, 2018, 27,749,280 shares of the Company's Common Stock were issued and outstanding.

Deadline for Receipt of Stockholder Proposals for the Company's Annual Meeting of Stockholders in 2019

If any stockholder desires to present a stockholder proposal at the Company's 2019 Annual Meeting of Stockholders, such proposal must be received by the Secretary of the Company no later than May 13, 2019, in order that they may be considered for inclusion in the proxy statement and form of proxy relating to that meeting. If the date of next year's annual meeting is moved more than 30 days before the anniversary date of this year's annual meeting, the deadline for inclusion of proposals in our proxy statement is instead a reasonable time before we begin to print and mail our proxy materials. Such proposals will also need to comply with Securities and Exchange Commission (the "***SEC***") regulations under Rule 14a-8 of the Exchange Act of 1934 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.

Virtual Attendance at the Annual Meeting

If you elect to not attend the Annual Meeting in person you can attend the virtual Annual Meeting if you were a stockholder of record as of the record date for the Annual Meeting, or you hold a valid proxy for the Annual Meeting. You may attend the virtual Annual Meeting and vote during the Annual Meeting by visiting www.virtualshareholdermeeting.com/LNDC and using your 16-digit control number to enter the meeting. If you are not a stockholder of record but hold shares as a beneficial owner in street name, you may be required to provide proof of beneficial ownership, such as your most recent account statement as of the record date, a copy of the voting instruction form provided by your broker, bank, trustee, or nominee, or other similar evidence of ownership. If you do not comply with the procedures outlined above, you will not be admitted to the virtual Annual Meeting.

Proxy Statement

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, with the exact number fixed at ten (10), and 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 years (*e.g.*, 2018) and the Class 2 directors elected in odd numbered years (*e.g.*, 2019). Accordingly, at the Annual Meeting, five (5) Class 1 directors will be elected.

The Board of Directors has nominated the persons named below to serve as Class 1 directors until the 2020 Annual Meeting, at which their successors will be elected and qualified. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company's five (5) nominees named below. 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 will be voted for any nominee who shall be designated by the present Board of Directors to fill the 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. Assuming a quorum is present, the five (5) nominees for director receiving at least a majority of votes cast at the Annual Meeting will be elected.

Class 1 Directors

Nominees for Class 1 Directors

Name of Director	Age	Principal Occupation	Director Since
Frederick Frank...........................	86	Chairman, Evolution Life Sciences Partners	1999
Steven Goldby.............................	78	Partner, Venrock and Chairman of the Board of Directors of the Company	2008
Nelson Obus................................	71	Managing Member of Wynnefield Capital Management, LLC	—
Andrew Powell	60	Retired Executive Vice President and General Counsel, Medivation Inc.	—
Catherine A. Sohn, Pharm.D.......	65	Retired Senior Vice President, GlaxoSmithKline plc; Chairman, BioEclipse Therapeutics, Inc.	2012

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 executive officer of the Company.

Frederick Frank has served as director since December 1999. Mr. Frank is Chairman of the Board of Evolution Life Sciences Partners. Prior to joining Evolution Life Science Partners, Mr. Frank was Chairman of the Board of Burrill Securities. Prior to joining Burrill Securities, Mr. Frank was Vice Chairman of Peter J. Solomon Company ("***Solomon***"). Before joining Solomon, Mr. Frank was Vice Chairman of Lehman Brothers, Inc. ("***Lehman***") and Barclays Capital. Before joining Lehman as a Partner in October 1969, Mr. Frank was co-director of research, as well as Vice President and Director of Smith Barney & Co. Incorporated. During his over 50 years on Wall Street, Mr. Frank has been involved in numerous financings and merger and acquisition transactions. He served on the Advisory Board of PDL BioPharma, and was a director for the Institute for Systems Biology and Pharmaceutical Product Development, Inc. Mr. Frank is Chairman of the National Genetics Foundation and he serves on the Advisory Boards for Yale School of Organization and Management and the Massachusetts Institute of Technology Center of Biomedical Innovation and was formerly an Advisory Member of the Johns Hopkins Bloomberg School of Public Health, and the Harvard School of Public Health. He is a graduate of Yale University, received an M.B.A. from Stanford University and is a Chartered Financial Analyst.

Mr. Frank has over 50 years of capital markets experience and has been involved in numerous financings, commercial transactions and mergers and acquisitions. As such, Mr. Frank provides the Board of Directors with extensive experience and knowledge with respect to transactions and financings in the public company context and corporate governance experience based on his experience as a director of public and non-public companies.

Steven Goldby has served as a director since December 2008 and Chairman of the Board of Directors in a non-executive capacity since October 2015. Mr. Goldby has been a Partner at Venrock, a venture capital firm, since 2007. Mr. Goldby was Chairman and Chief Executive Officer of Symyx Technologies, Inc. ("***Symyx***") from 1998 to 2007; he became the Executive Chairman in 2008, and Chairman in 2009. Before joining Symyx, Mr. Goldby served as Chief Executive Officer for more than ten years at MDL Information Systems, Inc., the enterprise software company that pioneered scientific information management. Earlier, Mr. Goldby held various management positions at ALZA Corporation, including President of Alza Pharmaceuticals. Mr. Goldby received a B.S. degree in chemistry from the University of North Carolina and a law degree from Georgetown University Law Center.

Mr. Goldby's extensive experience with biotechnology companies provides the Board of Directors with significant understanding of the technology issues facing the Company.

On May 22, 2018, the Company entered into a letter agreement "(the "***Letter Agreement***") with Wynnefield Capital, Inc. ("***Wynnefield***"), a stockholder of the Company, and Nelson Obus, who is a General Partner of Wynnefield. Pursuant to the Letter Agreement, the Company is nominating Mr. Obus and Andrew Powell for election to the Board of Directors at the Annual Meeting and will appoint Mr. Obus to the Audit Committee and Nominating and Corporate Governance Committee and will appoint Mr. Powell to the Compensation Committee assuming that each is elected to the Board of Directors.

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 Global Power Equipment Group Inc. and MK Acquisition LLC and previously served on the Boards of Layne Christensen Company, Breeze-Eastern Corporation and Underground Solutions Inc. Mr. Obus holds a bachelor of the 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.

Mr. Powell is currently serving as an independent advisor to small and mid-size companies and research institutions in the life sciences sector. He has served on the Board of Directors of Aclaris Therapeutics, Inc., a dermatologist-led biopharmaceutical company, since 2017. 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. From 2009 to 2013, he served as Executive Vice President, General Counsel and Secretary at Cornerstone Therapeutics, Inc. From 2008 to 2009, Mr. Powell served as Senior Vice President and General Counsel at ImClone Systems, Inc. From 2004 to 2008, he was General Counsel at Collagenex Pharmaceuticals, Inc. Earlier in his career, Mr. Powell held positions of increasing responsibility for nearly 15 years at the multi-national healthcare company Baxter International, Inc., where he was instrumental in a series of transactions that established Baxter throughout Asia. Mr. Powell holds a Bachelor of Arts degree from the University of North Carolina at Chapel Hill and a J.D. from Stanford Law School.

Mr. Powell's unique expertise in the areas of commercialization strategy, expansion (both domestic and international), governance, compliance, and mergers and acquisitions 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 our board of directors since November 2012. Dr. Sohn is a pharmacist, global biopharmaceutical executive, Adjunct Professor and a Certified Licensing Professional. Dr. Sohn has deep industry knowledge with thirty years of U.S. and global experience in the pharmaceutical industry, and a reputation as a strategic thinker with the ability to drive a strong interface between research and development and marketing. She was named "Distinguishing Alumnus" by University of California San Francisco (2000), was named "Woman of the Year" by the Healthcare Businesswomen's Association (HBA) in 2003, has received the Licensing Executive Society's "Frank Barnes Mentoring Award" (2009), and the HBA Euro-Excellence Award (2012). In 2016, Dr. Sohn was recognized as one of the PharmaVoice 100 most inspiring people in the life science industry. Her areas of expertise include domestic and global business development, strategy and product marketing/launch execution across vaccines, pharmaceutical products and consumer healthcare brands, having led the launches of the U.S. Vaccine Business and a $1 billion CNS pharmaceutical product at SmithKline Beecham (now GlaxoSmithKline). From 1998 to 2010, Dr. Sohn was Senior Vice President for Worldwide Business Development 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 transactions and integrations. In the pharmaceutical division, from 1994 to 1998, she was 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 of all assets from Phase 1 through the life cycle management. She has a strong technical background, having begun her career in anti-infective medical affairs at SmithKline & French in 1982. Dr. Sohn received a Doctor of Pharmacy degree from the University of California San Francisco (UCSF), and 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 (NACD), and is a Certified Licensing Professional (CLP). In addition to serving on our Board of Directors, Dr. Sohn is an independent director on the Boards of Directors of Jazz Pharmaceuticals plc (JAZZ) and Rubius Therapeutics (RUBY), both public-traded life science companies, and she serves as Adjunct Professor at UCSF.

With over 30 years of experience in health-related sectors, Dr. Sohn provides the Board of Directors with significant expertise in business development, strategic marketing and new product development across pharmaceuticals and consumer healthcare products, which has a direct benefit to Lifecore.

Director Gary Steele will retire as a Class 1 director at the time of the Annual Meeting.

Class 2 Directors

Name of Director	Age	Principal Occupation	Director Since
Albert D. Bolles, Ph.D.	61	Retired Executive Vice President and Chief Technical and Operations Officer, ConAgra Foods, Inc.	2014
Deborah Carosella..................	61	Retired Chief Executive Officer, Madhava Natural Sweetners	2017
Tonia Pankopf........................	50	Managing Partner, Pareto Advisors, LLC	2012
Robert Tobin..........................	80	Retired Chief Executive Officer, Ahold, USA	2004
Molly A. Hemmeter...............	51	President and Chief Executive Officer of the Company	2015

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 any executive officer of the Company.

Albert D. Bolles, Ph.D., has served as a director since May 2014. Dr. Bolles currently serves as Chairman of OnFood, a start-up company. Dr. Bolles served as the Executive Vice President and Chief Technical and Operations Officer of ConAgra Foods, Inc. ("***ConAgra***") until his retirement in August 2015. Dr. Bolles led ConAgra's Research, Quality & Innovation and Supply Chain organizations. He joined ConAgra in 2006 as Executive Vice President, Research, Quality & Innovation. Under his leadership, the ConAgra Research, Quality & Innovation team brought to market highly successful products that have led to substantial business growth. Prior to joining ConAgra, Dr. Bolles led worldwide research and development for PepsiCo Beverages and Foods. Dr. Bolles serves on several professional advisory boards, including the Grocery Manufacturers Association (GMA) Scientific Regulatory Committee, and is currently the chairman of the Trout Council/Food Science program which is an endowed scholarship fund at Michigan State University in the Department of Food Science and Human Nutrition. He has a Ph.D. and master's degree in food science and a bachelor's degree in microbiology, all from Michigan State University. He holds several patents and has won numerous awards for his contributions to the world of food science.

Dr. Bolles is a preeminent leader in food science and 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.

Ms. Carosella has served as a director since March 2017. Ms. Carosella has over 30 years' experience in the consumer products goods industry, with particular expertise in branding, strategic marketing and innovation. Most recently she was CEO of Madhava Natural Sweeteners, a Boulder, Colorado-based natural and organic sweetener company. Prior to 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 where she held various roles including Vice President, General Manager and Vice President, Strategic Marketing with business unit-specific and enterprise-wide responsibilities. Ms Carosella began her career in the advertising, branding and innovation agency business, serving as President of her own agency after working for several years with large, multi-national agencies.

Ms. Carosella's experience in consumer products and specifically in the areas of branding and new product development provides the Board of Directors and management with expertise that will be invaluable as the Company develops its new natural products business strategies.

Tonia Pankopf has served as a director since November 2012. Ms. Pankopf has been managing partner of Pareto Advisors, LLC since 2005. Previously, she was a senior analyst and managing director at Palladio Capital Management from January 2004 through April 2005. From 2001 to 2003, Ms. Pankopf served as an analyst and portfolio manager with P.A.W. Capital Partners, LP. Ms. Pankopf was a senior analyst and vice president at Goldman, Sachs & Co. from 1999 to 2001 and at Merrill Lynch & Co. from 1998 to 1999. From November 2003 until July 2017, she was a member of the board of directors of TICC Capital Corp, a business development company, having served on its Audit, Valuation, Nominating and Corporate Governance Committees and chairing its Compensation Committee. Ms. Pankopf served on the Board of the University System of Maryland Foundation from 2006 to 2012. Ms. Pankopf is a member of the NACD and is an NACD Board Leadership Fellow in recognition of her ongoing involvement in director professionalism and engagement with the director community. Ms. Pankopf received a Bachelor of Arts degree summa cum laude from the University of Maryland and an M.S. degree from the London School of Economics.

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

Robert Tobin has served as a director since December 2004. Mr. Tobin retired from his position as Chief Executive Officer of Ahold USA, a food retailer, in 2001. Mr. Tobin has over 40 years of industry experience in the food retail and food service sectors, having served as Chairman and CEO of Stop and Shop Supermarkets. An industry leader, Mr. Tobin serves on the advisory boards of the College of Agriculture and Life Sciences and the Undergraduate Business Program at Cornell University where he received his B.S. in Agricultural Economics.

Mr. Tobin's experience as the chief executive officer of food retailers and his knowledge of the food retail and food service sectors provide the Board of Directors with significant expertise with respect to issues facing the Company's food business. In addition, Mr. Tobin's service on advisory boards provides the Board of Directors with knowledge of the scientific issues that face Apio, Inc. ("***Apio***").

Molly A. Hemmeter has been the Company's President and Chief Executive Officer since October 15, 2015. Prior to that, she served as the Chief Operating Officer of the Company from January 2014 to October 2015, prior to which she served as Chief Commercial Officer of the Company from December 2010 to January 2014 and Vice President, Business Development and Global Marketing of the Company from June 2009 to December 2010. From July 2006 until joining the Company in June 2009, Ms. Hemmeter was Vice President of Global Marketing and New Business Development for the Performance Materials division of Ashland, Inc., a global specialty chemicals company. Prior to joining Ashland, Inc., Ms. Hemmeter was Vice President of Strategy and Marketing for Siterra Corporation and Chief Marketing Officer for CriticalArc Technologies in the San Francisco Bay Area, both of which were privately held software startup companies that were eventually acquired by larger entities, and she previously held various positions at Bausch & Lomb and Eli Lilly and Company. Ms. Hemmeter received a B.E.S. and M.Eng. from the University of Louisville and an M.B.A. from Harvard University.

Ms. Hemmeter's significant knowledge and understanding of the Company and its businesses, together with her extensive experience in operations, business development and marketing, has enabled Ms. Hemmeter to lead several of Landec's significant growth initiatives. Ms. Hemmeter was an integral part of the teams that completed the acquisition of Lifecore in 2010, the financing of Windset Holdings 2010 Ltd. ("***Windset***") in 2011, the acquisition of GreenLine Holding Company in 2012 and the acquisition of *O* in 2017. More recently, Ms. Hemmeter was instrumental in creating and developing Apio's line of salad kit products, the fastest growing products in Landec's long history.

Board of Directors Meetings and Committees

The Board of Directors held a total of seven meetings during the fiscal year ended May 27, 2018. Each director attended at least 75% of all Board and applicable committee meetings during fiscal year 2018. 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. The charter for each of the committees is available on the Company's website (www,landec.com). The Board of Directors also has a Food Innovation 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, other than Mr. Goldby, attended our 2017 Annual Meeting of Stockholders.

The Audit Committee currently consists of Ms. Pankopf (Chairperson), Mr. Goldby and Mr. Tobin. In the determination of the Board of Directors, each of Ms. Pankopf, Mr. Goldby, and Mr. Tobin meets the independence requirements of the SEC and The Nasdaq Stock Market, LLC ("***NASDAQ***"). 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. Rules adopted by the SEC require us to disclose whether the Audit Committee includes at least one member who is an "audit committee financial expert," as that phrase is defined in SEC rules and regulations. The Board of Directors has determined that Ms. Pankopf and Mr. Goldby are "audit committee financial experts" within the meaning of applicable SEC rules. The Audit Committee held five meetings during fiscal year 2018. 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, as appropriate.

The Compensation Committee currently consists of Dr. Sohn (Chairperson), Ms Carosella, Mr. Frank and Dr. Bolles. In the determination of the Board of Directors, each of Dr. Sohn, Ms. Carosella, Mr. Frank, and Dr. Bolles 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 Chief Executive Officer and certain of the Company's most highly compensated officers, including salary, bonuses and other cash incentive awards, and other forms of compensation, to administer the Company's stock plans and approve stock equity awards, and to oversee the career development of senior management. The Compensation Committee held five meetings during fiscal year 2018.

The Nominating and Corporate Governance Committee currently consists of Mr. Frank (Chairperson), Mr. Tobin, Ms. Pankopf and Dr. Bolles, 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 election as officers and directors of the Company and oversee the Company's corporate governance policies, including the annual self-evaluation of the Board of Directors. The Nominating and Corporate Governance Committee held three meetings during fiscal year 2018.

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, Geoffrey P. Leonard of King & Spalding LLP, 101 Second Street, Suite 2300, San Francisco, CA 94105, 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 experience and background that adds 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 Dr. Bolles (Chairperson) and Ms. Carosella, 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 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 one meeting during fiscal year 2018.

Corporate Governance

The Company provides information about its corporate governance policies, including the Company's Code of Ethics, 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 are independent other than Ms. Hemmeter;

- All members of the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Food Innovation 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. The Board of Directors has designated Mr. Goldby 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 Chief Executive Officer 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 employees, including its principal executive officer and all members of its finance department, including the principal financial officer and principal accounting officer, as well as the Board of Directors. 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 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 Ms. Hemmeter, is an independent director under applicable NASDAQ listing standards. Ms. Hemmeter does not meet the independence standards because Ms. Hemmeter 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 Chief Executive Officer in the way that it believes is in the best interests of the Company.

With the election of Ms. Hemmeter as the Company's Chief Executive Officer in October 2015, the Board of Directors determined that the roles of Chairman and Chief Executive Officer should be separated and Mr. Goldby therefore assumed the role of non-executive Chairman in October 2015. The Board of Directors believes that the appointment of Mr. Goldby as non-executive Chairman allows the Chief Executive Officer, 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 Board leadership 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, or the independent directors as a group, or to any director in particular, including the Chairman, c/o Gregory S. Skinner, Chief Financial Officer, Landec Corporation, 5201 Great America Parkway, Suite 232, Santa Clara, CA 95054. Any correspondence addressed to the Board of Directors or to any one of our directors in care of Mr. Skinner 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 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 of Directors

The following table sets forth compensation information for the fiscal year ended May 27, 2018, for each member of our Board of Directors who was not an executive officer during fiscal year 2018. The Chief Executive Officer, Molly A. Hemmeter, who serves on our Board of Directors, does not receive additional compensation for serving on the Board of Directors. See "Summary Compensation Table" for disclosure related to Ms. Hemmeter.

Name	Fee Earned or Paid in Cash (1)	Stock Awards (2)	Other	Total
Albert D. Bolles, Ph.D.	$ 77,500	$ 60,000	$ —	$ 137,500
Deborah Carosella	$ 59,688	$ 60,000	$ —	$ 119,688
Frederick Frank	$ 62,500	$ 60,000	$ —	$ 122,500
Steven Goldby	$ 90,000	$ 60,000	$ —	$ 150,000
Tonia Pankopf	$ 70,000	$ 60,000	$ —	$ 130,000
Catherine A. Sohn, Pharm.D.	$ 63,478	$ 60,000	$ —	$ 123,478
Gary T. Steele	$ 45,000	$ 60,000	$ —	$ 105,000
Robert Tobin	$ 60,000	$ 60,000	$ —	$ 120,000

(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.

As of May 27, 2018, the aggregate number of shares subject to outstanding restricted stock unit awards and option awards held by the members of the Board of Directors was: Dr. Bolles – 0 shares; Ms. Carosella – 0 shares; Mr. Frank – 5,000 shares; Mr. Goldby – 5,000 shares; Ms. Pankopf – 6,667 shares; Dr. Sohn – 10,000 shares; Mr. Steele – 103,333 shares; and Mr. Tobin – 5,000 shares.

For fiscal year 2018, each non-employee director received an annual retainer of $45,000 for service as a member of our Board of Directors. In addition, each director who served on the Audit Committee and the Food Innovation Committee received an annual retainer of $10,000, with the Chairperson of the Audit Committee and Food Innovation Committee receiving an annual retainer of $20,000. Each director who served on the Compensation Committee received an annual retainer of $7,500, with the Chairperson of the Compensation Committee receiving an annual retainer of $15,000. Each director who served on the Nominating and Corporate Governance Committee received an annual retainer of $5,000, with the Chairperson of the Nominating and Corporate Governance Committee receiving an annual retainer of $10,000. The Chairperson of the Board received an annual retainer of $35,000. Consistent with the general industry trend toward fixed-value RSU awards, each non-employee director currently receives an RSU award each year with a fair value of $60,000, 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.

In addition to cash fees, each director is reimbursed for reasonable out-of-pocket expenses incurred by a director to attend Board 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 Landec 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 to such non-employee director. For purposes of the guidelines, the value of a share of Common Stock 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 any applicable taxes and/or exercise price.

Required Vote

The election of each of the five (5) Class 1 director nominees requires the affirmative vote of the holders of a majority of the shares of the Company's Common Stock present at the Annual Meeting in person or by proxy and voted with respect to such director. A "WITHHOLD" vote is effectively a vote against a director. This means that in order for a director to be elected, the number of shares voted "FOR" a director must exceed the number of votes cast against that director.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF EACH OF THE NOMINEES LISTED BELOW.

Nominees for Class 1 Directors

Name of Director
Frederick Frank
Steven Goldby
Nelson Obus
Andrew Powell
Catherine A. Sohn, Pharm.D.

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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 26, 2019, 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 27, 2018 and May 28, 2017.

Fee Category	Fiscal Year 2018	Fiscal Year 2017
Audit Fees	$ 1,487,000	$ 1,540,000
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total	$ 1,487,000	$ 1,540,000

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.

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 in person or by proxy and voted on this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A 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 26, 2019.

PROPOSAL NO. 3

NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Compensation Discussion and Analysis beginning on page 20 of this Proxy Statement describes the Company's executive compensation program and the compensation decisions that the Compensation Committee and Board of Directors made in fiscal year 2018 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 compensation paid to the Company'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, is hereby APPROVED on an advisory basis."

We urge stockholders to read the Compensation Discussion and Analysis beginning on page 20 of this Proxy Statement, as well as the Summary Compensation Table and related compensation tables, appearing on pages 33 through 36, 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 Landec'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' cash incentive awards are determined based on objective performance criteria. The Company's current practice is to grant our named executive officers both stock options and restricted stock units. 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 the 2017 annual meeting of stockholders, 96% of votes cast expressed support for our compensation policies and practices, and we believe our program continues to be effective.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" APPROVAL OF THE ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION.

AUDIT COMMITTEE REPORT

*The information contained in this 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.*

Composition

The Audit Committee of the Board of Directors consists of the three 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 Mr. Goldby and Ms. Pankopf are audit committee financial experts, 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 five meetings during fiscal year 2018. 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 27, 2018 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 27, 2018 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 27, 2018, as filed with the SEC.

This report is submitted by the Audit Committee.

Tonia Pankopf (Chairperson)
Steven Goldby
Robert Tobin

Proxy Statement

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 2018. Ages are as of August 17, 2018.

Molly A. Hemmeter (age 51) has been the Company's President and Chief Executive Officer since October 15, 2015. Prior to that she served as the Chief Operating Officer of the Company from January 2014 to October 2015, prior to which she served as Chief Commercial Officer of the Company from December 2010 to January 2014 and Vice President, Business Development and Global Marketing of the Company from June 2009 to December 2010. From July 2006 until joining the Company in June 2009, Ms. Hemmeter was Vice President of Global Marketing and New Business Development for the Performance Materials division of Ashland, Inc., a global specialty chemicals company. Prior to joining Ashland, Inc., Ms. Hemmeter was Vice President of Strategy and Marketing for Siterra Corporation and Chief Marketing Officer for CriticalArc Technologies in the San Francisco Bay Area, both of which were privately held software startup companies that were eventually acquired by larger entities, and she previously held various positions at Bausch & Lomb and Eli Lilly and Company.

Gregory S. Skinner (age 57) has been Chief Financial Officer and Vice President of Finance of the Company since November 1999 and Vice President of Administration since November 2000. From May 1996 to October 1999, Mr. Skinner served as Controller of the Company. From 1994 to 1996, Mr. Skinner was Controller of DNA Plant Technology and from 1988 to 1994 he was with Litton Electron Devices. Prior to joining Litton Electron Devices, Mr. Skinner was with Litton Industries, Inc. and Arthur Andersen & Company.

Ronald L. Midyett (age 52), who retired on June 22, 2018, had been the Chief Operating Officer of the Company since October 2015. He served as President of Apio since January 2008 and as a Vice President of the Company since February 2008 until his retirement. Mr. Midyett joined Apio in May 2005 as Chief Operating Officer of Apio. Prior to joining Apio, Mr. Midyett was Senior Vice President of Operations for Dole Fresh Vegetables. Mr. Midyett has over 30 years of technology and operations experience in the produce industry. Mr. Midyett was a member of the board of directors of the United Fresh Fruit and Vegetable Association from 2009 to 2015, served as chairman from April 2013 through April 2014, and is currently a member of its executive committee. Mr. Midyett was a director of Windset until his retirement.

James G. Hall (age 55) has been President of Lifecore and a Vice President of the Company 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.

Steven P. Bitler, Ph.D. (age 60) has been Vice President, Corporate Technology of the Company since March 2002. From 1988 until March 2002, Dr. Bitler held various positions with the Company related to the Company's polymer product development and thermal switch products. Prior to joining the Company, Dr. Bitler developed new high strength polymeric materials at SRI International.

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, 2018 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, 5201 Great America Parkway, Suite 232, Santa Clara, CA 95054.

	Shares Beneficially Owned (1)	
Name	Number of Shares of Common Stock	Percent of Total (2)
5% Stockholders		
NWQ Investment Management Company, LLC 2049 Century Park East, 16th Floor Los Angeles, CA 90067	3,456,270(3)	12.46%
Franklin Advisory Services, LLC 55 Challenger Road, Suite 501 Ridgefield Park, NJ 07660	2,715,500(4)	9.79%
Wynnefield Capital, Inc 450 Seventh Ave, #509 New York, NY 10123	2,682,400(5)	9.67%
Dimensional Fund Advisors, L.P. 6300 Bee Cave Road, Building One Austin, TX 78746	2,314,826(6)	8.34%
BlackRock, Inc. 55 E. 52nd Street New York, NY 10055	1,950,345(7)	7.03%
The Vanguard Group, Inc. PO Box 2600, V26 Valley Forge, PA 19482	1,445,223(8)	5.21%
Executive Officers and Directors		
Molly A. Hemmeter President and Chief Executive Officer	550,681(9)	1.95%
Gregory S. Skinner Chief Financial Officer and Vice President of Finance and Administration	336,569(10)	1.21%
Ronald L. Midyett Chief Operating Officer and Vice President	70,041(11)	*
James G. Hall President of Lifecore Biomedical, Inc. and Vice President of Landec	64,411(12)	*
Steven P. Bitler Vice President of Corporate Technology	95,216(13)	*

Name	Shares Beneficially Owned (1) Number of Shares of Common Stock	Percent of Total (2)
Albert D. Bolles, Ph.D., Director	17,262	*
Deborah Carosella, Director	4,286	*
Frederick Frank, Director	59,001(14)	*
Steven Goldby, Director	51,490(15)	*
Tonia Pankopf, Director	31,797(16)	*
Catherine A. Sohn, Pharm.D., Director	34,091(17)	*
Gary T. Steele, Director	208,076(18)	*
Robert Tobin, Director	56,568(19)	*
Nelson Obus, Director Nominee	2,707,400(20)	9.76%
Andrew Powell, Director Nominee	475	*
All directors and executive officers as a group (15 persons)	4,287,364(21)	15.04%

* Less than 1%

(1) Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of capital stock.

(2) As of August 17, 2018, 27,749,280 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, 2018 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.

(3) This information is based on a Form 13F filed by NWQ Investment Management Company, LLC with the SEC showing such beneficial owner's holdings as of June 30, 2018.

(4) This information is based on a Form 13F filed by Franklin Advisory Services, LLC with the SEC showing such beneficial owner's holdings as of June 30, 2018.

(5) This information is based on a Form 13F filed by Wynnefield Capital, Inc with the SEC showing such beneficial owner's holdings as of June 30, 2018.

(6) This information is based on a Form 13F filed by Dimensional Fund Advisors LP with the SEC showing such beneficial owner's holdings as of June 30, 2018.

(7) This information is based on a Form 13F filed by nine institutions with the SEC: BlackRock Institutional Trust Company, N.A.; BlackRock Fund Advisors; BlackRock Advisors, LLC; BlackRock Investment Management, LLC; BlackRock (Netherlands) B.V.; Blackrock Financial Management, Inc; BlackRock Asset Management Canada Limited; Blackrock Asset Management Schweiz AG; Blackrock Asset Management Ireland Limited under the parent company BlackRock, Inc showing such beneficial owners' holdings as of June 30, 2018.

(8) This information is based on a Form 13F filed by The Vanguard Group, Inc. with the SEC showing such beneficial owner’s holdings as of June 30, 2018.

(9) This number includes 454,443 shares subject to outstanding stock options exercisable within 60 days after August 17, 2018.

(10) This number includes 82,446 shares subject to outstanding stock options exercisable within 60 days after August 17, 2018.

(11) This number includes zero shares subject to outstanding stock options exercisable within 60 days after August 17, 2018.

(12) This number includes 60,936 shares subject to outstanding stock options exercisable within 60 days after August 17, 2018.

(13) This number includes 22,291 shares subject to outstanding stock options exercisable within 60 days after August 17, 2018.

(14) This number includes 5,000 shares subject to outstanding stock options exercisable within 60 days after August 17, 2018.

(15) This number includes 5,000 shares subject to outstanding stock options exercisable within 60 days after August 17, 2018.

(16) This number includes 6,667 shares subject to outstanding stock options exercisable within 60 days after August 17, 2018.

(17) This number includes 10,000 shares subject to outstanding stock options exercisable within 60 days after August 17, 2018.

(18) This number includes 105,000 shares subject to outstanding stock options exercisable within 60 days after August 17, 2018.

(19) This number includes 5,000 shares subject to outstanding stock options exercisable within 60 days after August 17, 2018.

(20) This number includes 2,682,400 shares reported on Form 13F filed by Wynnefield Capital, Inc. showing beneficial owner's holdings as of June 30, 2018. Mr. Obus is a General Partner of Wynnefield Capital, Inc.

(21) This number includes an aggregate of 756,783 shares held by officers and directors that are subject to outstanding stock options exercisable within 60 days after August 17, 2018.

EXECUTIVE COMPENSATION AND RELATED INFORMATION

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis ("CD&A") describes the philosophy, objectives and structure of our 2018 executive compensation program. This CD&A is intended to be read in conjunction with the tables which immediately follow this section, which provide further historical compensation information.

The following executive officers constituted our Named Executive Officers ("NEOs") throughout the past fiscal year:

Molly Hemmeter	President and Chief Executive Officer
Gregory S. Skinner	Vice President of Finance and Administration, and Chief Financial Officer
Ronald L. Midyett	Vice President and Chief Operating Officer of the Company, and President of Apio
James G. Hall	Vice President of the Company and President of Lifecore
Steven P. Bitler	Vice President of Corporate Technology

CD&A Reference Guide

I. Executive Summary

We made good progress toward our long-term strategic vision this past year as we continued to deliver on our mission to create innovative products that support people's individual health and wellness goals. Under the leadership of Molly Hemmeter, who became Landec's President and CEO in October 2015, the strategic direction of our Apio and Lifecore businesses has become more focused and has better positioned Landec for long-term growth.

Landec had many noteworthy accomplishments in fiscal year 2018 compared to fiscal year 2017:

1) Lifecore delivered another good year with revenues increasing 10% to $65.4 million and operating income increasing 9% to $17.3 million. The transformation in Lifecore's business model from a premium supplier of hyaluronic acid (HA) to a fully integrated contract development and manufacturing organization (CDMO) for difficult-to-handle, sterile injectable products and biomaterials, is delivering results.

2) Lifecore's installation of a new vial filling line will provide the required infrastructure as a fully integrated CDMO to commercialize new products currently in its product development pipeline.

3) Apio has been focused on new product innovation to drive market differentiation and to transform a commodity business to a branded, packaged, natural foods business. Over the last several years, Apio has expanded its product segments from the traditional lower margin core vegetable bags and trays to the adjacent high growth, more profitable salad segment while "right-sizing" specific segments of its bag, tray and export businesses, including exiting the export business during the fourth quarter of fiscal year 2018. This focus led to a substantial increase in salad revenues in fiscal year 2018 which grew 23% compared to fiscal year 2017 and in overall Apio revenue growth which grew 12% in fiscal year 2018.

4) Apio made significant gains in U.S. distribution of its Eat Smart salads during fiscal year 2018. Revenue growth of 23% for Eat Smart multi-serve salad kits was primarily driven by a 50% increase in salad revenues from the U.S. retail channel during fiscal year 2018 compared to the category growth of 10% for the same period. The Nielsen U.S. retail All Commodity Volume for Eat Smart multi-serve salad kits for the 52-weeks ended May 26, 2018 increased 21 percentage points, from 24% to 45%.

5) Finally, O Olive & Vinegar ("***O***") which we acquired in March 2017, completed the installation of its new vinegar production facility in April 2018 and started selling its first batches of in-house produced vinegars in June 2018. For all of fiscal year 2018, despite the delay in completing its vinegar production facility due to the California fires last October, *O*'s revenues increased 12% compared to the twelve months ended May 28, 2017.

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 goals being set, are reflective of our business strategy. Highlights of our fiscal year 2018 compensation program include:

- **Continued use of a performance-based long-term cash incentive program (LTIP)**

  Our new LTIP structure, introduced in the past year, is designed to deliver value to participants, aligned with our stockholders, upon the achievement of return on invested capital (ROIC) goals for fiscal year 2020. We believe that ROIC demonstrates effective use of capital and is an important driver of our long-term growth. Beginning in fiscal 2019, we have shifted this program from a cash-based program to a performance share unit program, to better align with competitive market practices and to further strengthen the alignment between this program and the long-term interests of our stockholders.

- **Effective long-term incentive (LTI) compensation mix**

  The Committee has structured the LTI as 50% cash-based LTIP (switching to performance share units in fiscal 2019), 30% restricted stock units (RSUs) and 20% stock options.

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

  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. In fiscal 2018, as in prior years, 80% of the annual cash incentive award plan is based on achieving established targets for revenues and operating income for each business unit and consolidated Landec results. For the remaining 20% of the annual cash incentive award plan, we utilize "all or nothing" strategic goals for each executive based on corporate, Apio or Lifecore achievements, depending on the responsibility of the executive. This "all or nothing" goal is selected annually, and is designed to incent and reward management on actions and objectives that will be the most important contributors to financial success in the following fiscal year.

- **Revised peer group for fiscal year 2018**

We made changes to our peer group this year to better reflect the evolution and transformation of Landec's two businesses.

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

Once again, we have received very strong support (over 96%) for our say-on-pay proposal. Our Committee is proud of this achievement and believes it is reflective of the stockholders' support for our pay-for-performance philosophy and practice.

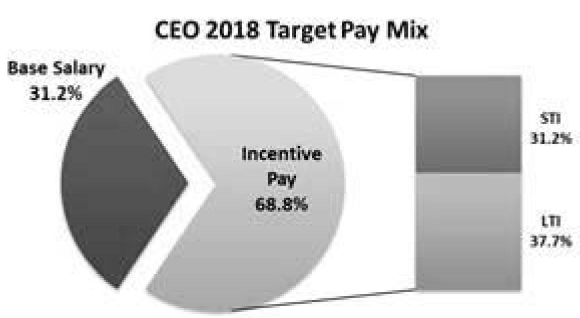
Components of Our Compensation Program

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	80% of the annual cash incentive award plan is based on achieving established targets for revenues and operating income for each business unit and consolidated Landec results. 20% of the annual cash incentive award plan is based on achieving certain strategic goals that will be the most important contributors to financial success in the following fiscal year based on corporate, Apio or Lifecore achievements, depending on the responsibility of the executive.
Long-Term Incentives	Long-term equity awards incentivize executives to deliver long-term stockholder value, while also providing a retention vehicle for our executives. The LTI mix is currently 50% cash LTIP (switching to performance share units in fiscal 2019 to better align with market practice), 30% RSUs and 20% stock options.

2018 Target Total Compensation

To promote our pay-for-performance philosophy, and align the interests of management and stockholders, our 2018 executive compensation program focused extensively on variable compensation components. For example, our CEO's target pay for fiscal year 2018 consists of 69% variable, or "at risk" incentive pay. This includes short-term cash incentives, as well as long-term incentives delivered as stock options, RSUs, and the performance-based cash LTIP.



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. Other than participation in benefit plans offered to all of our employees, we offer no other significant benefits to our executive officers.
No Section 280G Gross-ups. None of our executive officers are entitled to a Section 280G gross-up.
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 the compensation program.

Say on Pay Voting Results

At the 2017 annual meeting of stockholders, our say-on-pay proposal received strong support, garnering support from 96% of shares cast. This is consistent with the voting results of 2016 and 2015, which had support levels of 98.4% and 97.4%, respectively. The Company is pleased with these results and believes that stockholders have confirmed our executive compensation philosophy, policies and programs. The Committee took these results into account by continuing to emphasize our pay-for-performance philosophy which utilizes performance measures that provide incentives to deliver value to our stockholders.

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 vision to be the leader in our food and biomaterials businesses, creating innovative products that support people’s individual health and wellness goals.

The above policies guide the Committee in assessing the proper allocation among long-term compensation, current cash compensation and short-term bonus 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, SEC and Internal Revenue Code of 1986 (the "***Code***") 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 Landec's 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 Chief Executive Officer, Ms. Hemmeter, and other executives to obtain recommendations with respect to Company compensation programs, practices and packages for executives and other employees. The Chief Executive Officer makes recommendations to the Committee on the base salary, bonus targets and equity compensation for the executive team and other employees, but not for herself. The Committee, however, has the ultimate responsibility for determining executive compensation, which is recommended to the Board of Directors for its final approval.

Role of the Compensation Consultant

In March 2017, the Committee retained Radford Consulting, an Aon Hewitt company, to provide consulting services to the Committee, including advice on compensation philosophy, incentive plan design, executive compensation analysis, and CD&A disclosure, among other compensation topics. Radford 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 Radford, and determined that Radford's work for the Committee does not raise any conflicts of interest. Radford'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 more accurately reflect the significant portion of the Company's business attributable to Apio's operations, the peer group has been adjusted and simplified over the years, to allow for comparisons on how these peers address the volatility and unpredictability of financial results as well as to assess competitive pay levels in the food and life sciences industries.

Fiscal Year 2018 Peers

To assist in determining compensation for fiscal year 2018, our Committee used a peer group consisting of the following companies:

Albany Molecular Research	John B Sanfilippo & Son
Amplify Snack Brands	Lancaster Colony
Anika Therapeutics	Limoneira
Calavo Growers	National Beverage
Cal-Maine Foods	Omega Protein
CryoLife,	Seneca
Farmer Bros.	SunOpta
J&J Snack Foods	Surmodics

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, 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/or RSU awards, as well as long-term, performance-based cash awards.

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 2018 and 2017, our NEO base salaries were as follows:

Name	FY 2018	FY 2017	% Change
Molly A. Hemmeter	$ 525,000	$ 475,000	10.5%
Gregory S. Skinner	$ 380,000	$ 380,000	0.0%
Ronald L. Midyett	$ 340,000	$ 340,000	0.0%
James G. Hall	$ 285,000	$ 256,756	11.0%
Steven P. Bitler	$ 275,000	$ 275,000	0.0%

Ms. Hemmeter has been in her role since October 2015. When Ms. Hemmeter was promoted to President and CEO, her compensation was initially positioned at approximately the 25^{th} percentile, in light of the fact that she was new to the President and CEO role. Having demonstrated a proven track record of success in her new role, the Committee has made adjustments to more closely align her compensation with the median of the competitive market. Mr. Hall was promoted to President of Lifecore at the beginning of fiscal year 2018.

Proxy Statement

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 executive's annual compensation is "at risk" compensation. This has resulted in most of our NEOs not receiving any annual cash incentive award or only a portion of their targeted award in a majority of 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 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 2018 Cash Incentive Award Plan

At the beginning of fiscal year 2018, the Committee approved the 2018 Cash Incentive Award Plan for the year which included financial objectives for each business unit and at the corporate level on a consolidated basis. The financial objectives were based on the internally-developed financial plan for the fiscal year. The 2018 Cash Incentive Award Plan was based on established targets for revenues and operating income for each business unit and consolidated Landec results.

For fiscal year 2018, the CEO's target cash incentive award was 100% of her base salary, and the other Named Executive Officers' target incentive awards ranged from 40% to 60% of their base salary.

Performance Goals

In fiscal year 2018, performance measures were broken into two categories:

Strategic goals: "All or nothing" strategic goals (20% weighting)

Financial goals: target revenues and operating income (80% weighting)

For each executive, 2018 performance weightings were as follows:

	Strategic Goals (20%)	Financial Goals (80%)			
		Corporate	**Apio**	**Lifecore**	***BreatheWay***
Molly A. Hemmeter	100%	31%	36%	33%	
Gregory S. Skinner	100%	31%	36%	33%	
Ronald L. Midyett	100%		100%		
James G. Hall	100%			100%	
Steven P. Bitler	100%				100%

For Dr. Bitler, the award target was based on several specific financial goals related to the success and advancement of the Company's BreatheWay® technology. We believe the performance goals are sensitive information and specific to this technology and would potentially cause competitive harm to disclose.

Our “all or nothing” strategic goals are focused on benefiting future years such as the installation of Lifecore’s new dual vial/syringe aseptic filling line, the integration of *O* and the move from our old Corporate headquarters to our new Corporate headquarters. Each executive earned their 20% “all or nothing” bonus for fiscal year 2018.

Due to the extraordinary weather events during fiscal year 2018 which included numerous hurricanes, including two Category 4 hurricanes, freezing temperatures and record heat in the Western produce growing areas, and to recognize the strong growth of Eat Smart innovative products, and significant progress in the transformation of Landec Natural Foods, the Committee exercised its discretion regarding the Apio financial goal which resulted in a cash award of 55% of the target bonus for Apio. Likewise, *O*’s results, which are included in Corporate for bonus determination purposes, were impacted by the Northern California fires last fall, and therefore, the Committee exercised its discretion in determining the amount earned under the Corporate financial goal which resulted in a cash award of 80% of the target bonus for Corporate.

Lifecore exceeded its revenue and operating income targets and earned a cash bonus payout of 104% of the target bonus.

Fiscal Year 2018 Earned Incentives

Based on the metrics described above, the Named Executive Officers’ target incentive awards and actual amounts earned for fiscal year 2018 were as follows:

Name	**Target as % of Base Salary**	**Target ($)**	**Actual Earned 2018 Incentive Award ($)**
Molly A. Hemmeter	100%	$ 525,000	$ 436,201
Gregory S. Skinner	60%	$ 228,000	$ 189,436
Ronald L. Midyett	50%	$ 170,000	$ 108,800
James G. Hall	50%	$ 142,500	$ 146,838
Steven P. Bitler	40%	$ 110,000	$ 33,000

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 typically take the form of stock options and RSUs, and are generally granted with a three-year vesting schedule. We also have performance-based cash awards to be paid under the LTIP.

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 also can be a more 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. Finally, we have introduced a performance-based cash LTIP to provide an incentive vehicle directly linked to our strategic goal of focusing on ROIC. We have chosen a cash-based plan to help manage our equity burn rate and avoid dilution. When earned, the cash received by an executive in the LTIP must be placed in a deferred compensation account for a minimum of one year before it can be drawn.

LTI Grants in Fiscal Year 2018

In general, the number of long-term incentive awards granted to each executive officer is 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 2018, the Committee granted equity awards to executive officers, including our Named Executive Officers, as follows:

Name	Stock Options (#)	RSUs (#)
Molly A. Hemmeter	45,000	15,000
Gregory S. Skinner	21,000	7,000
Ronald L. Midyett	15,000	5,000
James G. Hall (1)	75,000	25,000
Steven P. Bitler	7,500	2,500

(1) Mr. Hall was promoted to President of Lifecore at the beginning of fiscal year 2018.

Additionally, the Committee set the following individual target amounts for the cash-based awards to be paid under the LTIP for our NEOs, based on achieving a specific ROIC target for fiscal year 2020:

Name	Individual Target Amount
Molly A. Hemmeter	$ 327,100
Gregory S. Skinner	$ 142,500
Ronald L. Midyett	$ 103,500
James G. Hall	$ 103,500
Steven P. Bitler	n/a

Each participant who continues as an employee will receive a payout that is a percentage of their individual target amount, based on a ratio of the actual ROIC to the pre-determined target ROIC. The Company believes that disclosure of our pre-determined Target ROIC for fiscal year 2020, which is based on our five-year strategic plan, would cause the Company substantial competitive harm. However, the payout scale will be as follows:

Actual ROIC as a % of Target ROIC	% of Individual Target Amount Paid
130% and above	130%
115%	115%
100%	100%
90%	75%
80%	50%
less than 80%	0%

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 employees and directors from engaging in any speculative or hedging transactions in our securities. We prohibit hedging transactions such as puts, calls, collars, swaps, forward sale contracts, and similar arrangements or instruments designed to hedge or offset decreases in the market value of our securities without the written permission of the Board of Directors.

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
Chief Executive Officer	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 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-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 Chief Executive Officer 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. In addition, any amounts earned by an executive under the LTIP must be placed in a Deferral Plan account for a minimum of one year. 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 upon the occurrence of certain events specified in Deferral Plan, including termination of employment.

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 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 October 15, 2015 the Company entered into an executive employment agreement with Ms. Hemmeter (the ***"Hemmeter Agreement"***) setting forth the terms of her employment. The Hemmeter Agreement expires on December 31, 2018 unless renewed or extended by both parties, and provides that Ms. Hemmeter shall be paid an annual base salary of $475,000 (which was increased to $525,000 effective at the beginning of fiscal year 2018) through the term of the Hemmeter Agreement, and continue to participate in the annual Cash Incentive Award Plan. Ms. Hemmeter is also eligible for grants of equity-based awards at such times and in such amounts as determined by the Committee. See the section entitled "Employment Contracts and Potential Payments upon Termination or Change in Control" for a further discussion of the terms of the Hemmeter Agreement.

In making decisions with respect to Ms. Hemmeter's salary, target bonus and equity compensation grant, the Committee relied on the peer group data described above and gave considerable weight to the Chief Executive Officer's significant and direct influence over Landec's overall performance.

Other Named Executive Officers

On October 15, 2015, 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 expires on December 31, 2018 unless renewed or extended by both parties, and provides that Mr. Skinner shall be paid an annual base salary of $380,000 through the term of the Skinner Agreement, and continue to participate in the annual Cash Incentive Award Plan. Mr. Skinner is also eligible for grants of equity-based awards at such times and in such amounts as determined by the Committee. See the section entitled "Employment Contracts and Potential Payments upon Termination or Change in Control" for a further discussion of the terms of the Skinner Agreement.

In making decisions with respect to base salary for Named Executive Officers other than the CEO, the Committee reviews peer group data as described above and takes into account the date of the most recent adjustment in the base pay of each Named Executive Officer.

Compliance with Internal Revenue Code Section 162(m)

The Committee considers the deductibility of executive compensation under Section 162(m) of the Code in designing, establishing and implementing our executive compensation policies and practices. Section 162(m) generally prohibits the Company from deducting any compensation over $1 million per taxable year paid to certain of the Company's Named Executive Officers unless, under tax laws in effect prior to January 1, 2018, such compensation is treated as "performance-based compensation" within the meaning of Section 162(m) of the Code. The Tax Cuts and Jobs Act (the "Tax Act") among other changes, repealed the exception from the deduction limit under Section 162(m) for performance-based compensation effective for taxable years beginning after December 31, 2017, such that compensation paid to our covered executive officers in excess of $1 million will not be deductible unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017 that are not materially modified after that date. However, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) as revised by the Tax Act, including the uncertain scope of the transition relief adopted in connection with repealing Section 162(m)'s performance-based compensation exception, no assurance can be given that previously granted compensation intended to satisfy the requirements for performance-based compensation will in fact qualify for such exception. The Committee may administer any awards granted prior to November 2, 2017 which qualify as performance-based compensation under Section 162(m), as amended by the Tax Act, in accordance with the transition rules applicable to binding contracts in effect on November 2, 2017, and will have the sole discretion to revise compensation arrangements to conform with the Tax Act and the Committee's administrative practices. In addition, the Committee reserves the right to modify compensation that was initially intended to be exempt from the Section 162(m) deduction limit when it was granted if the Committee determines that such modifications are consistent with our business needs. In determining the form and amount of compensation for our named executive officers, the Committee will continue to consider all elements of the cost of such compensation, including the potential impact of Section 162(m).

While the Committee considers the deductibility of awards as one factor in determining executive compensation, the Committee also looks at other factors in making its decisions and retains the flexibility to award compensation that it determines to be consistent with the goals of our executive compensation program even if the awards are not deductible by us for tax purposes.

In addition, the Committee reserves the right to authorize compensation payments that may be in excess of the limit when the Committee believes such payments are appropriate and in the best interest of Landec and its stockholders, after taking into consideration changing business conditions and the performance of its employees.

Compensation Committee Interlocks and Insider Participation

The Committee is composed of Dr. Sohn (Chairperson), Dr. Bolles, Ms. Carosella and Mr. Frank. During fiscal year 2018, 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 or former 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.

Compensation Committee Report

The information contained in this 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.

The Committee has reviewed and discussed with management the Compensation Discussion and Analysis for fiscal year 2018. Based on the review and discussions, the 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 2018 Annual Meeting of Stockholders and incorporated into our Annual Report on Form 10-K for the fiscal year ended May 27, 2018.

This report is submitted by the Committee:

Catherine A. Sohn, Pharm. D. (Chairperson)
Al Bolles, Ph.D.
Deborah Carosella
Fred Frank

Summary Compensation

The following table shows compensation information for fiscal years 2018, 2017 and 2016 for the Named Executive Officers.

Summary Compensation Table

Name and Principal Position	Year	Salary ($) (1)	Stock Awards ($) (2)	Option Awards ($) (3)	Non-Equity Incentive Plan Compensation ($) (4)	All Other Compensation ($) (5)	Total ($)
Molly A. Hemmeter	2018	525,000	189,750	128,086	436,201	13,662	1,292,699
President and Chief	2017	475,000	1,221,703	337,256	331,088	19,896	2,384,943
Executive Officer	2016	426,000	—	—	—	17,320	443,320
Gregory S. Skinner	2018	380,000	88,550	59,773	189,436	11,175	728,934
Chief Financial Officer	2017	380,000	245,999	—	158,922	10,975	795,896
and Vice President of Finance and Administration	2016	380,000	—	—	—	18,290	398,290
Ronald L. Midyett	2018	340,000	63,250	42,695	108,800	25,746	580,491
President of Apio and	2017	340,000	197,202	—	34,000	26,014	597,216
Vice President and Chief Operating Officer of Landec	2016	340,000	—	—	—	26,014	366,014
James G. Hall (6) President of Lifecore and Vice President of Landec	2018	285,000	350,000	232,245	146,838	14,331	1,028,414
Steven P. Bitler	2018	275,000	31,625	21,347	33,000	11,337	372,309
Vice President of	2017	275,000	—	—	49,336	11,137	335,473
Corporate Technology	2016	273,461	—	—	—	11,029	284,490

(1) Includes amounts (if any) deferred at the election of the Named Executive Officer pursuant to the Deferral Plan.

(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 RSUs granted during fiscal year 2018 computed for financial statement reporting purposes in accordance with ASC 718. The assumptions used to calculate the value of the RSU awards are set forth under Note 1 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 27, 2018. In accordance with SEC rules, these amounts exclude estimates of forfeitures in the case of awards with service-based vesting conditions.

(3) 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 2018 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 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 27, 2018. In accordance with SEC rules, these amounts exclude estimates of forfeitures in the case of awards with service-based vesting conditions.

(4) Amounts consist of bonuses earned for meeting and/or exceeding financial performance targets in fiscal years 2018, 2017 and 2016 under the Company's annual Cash Incentive Award Plans. The Board of Directors agreed to certain modifications to the 2018 Cash Incentive Award Plan. See "Compensation Discussion and Analysis—Fiscal Year 2018 Cash Incentive Award Plan—Performance Goals" for a further discussion of these modifications.

(5) 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 include Company-paid disability insurance for which Mr. Hall is the beneficiary. For Mr. Midyett, the amount shown includes an annual car allowance of $15,000. For Ms. Hemmeter, the amount includes a car allowance expense of $1,786.

(6) Mr. Hall became President of Lifecore and a Vice President of the Company on June 1, 2017.

Grants of Plan-Based Awards

The following table shows all plan-based awards granted to the Named Executive Officers during fiscal year 2018. 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 2018 Year-End" table on the following page.

Grants of Plan-Based Awards

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)						
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**All Other Stock Awards: Number of Shares of Stock or Units (#)**	**All Other Option Awards: Number of Securities Underlying Options (#)**	**Exercise or Base Price of Option Awards ($/share)**	**Grant Date Fair Value of Stock and Option Awards ($) (2)**
Molly A. Hemmeter		—	525,000	N/A	—	—	—	—
	10/19/2017				15,000	—	—	189,750
	10/19/2017					45,000	12.65	128,086
Gregory S. Skinner......		—	228,000	N/A	—	—	—	—
	10/19/2017				7,000	—	—	88,550
	10/19/2017					21,000	12.65	59,773
Ronald L Midyett		—	170,000	N/A	—	—	—	—
	10/19/2017				5,000	—	—	63,250
	10/19/2017					15,000	12.65	42,695
James G. Hall		—	142,500	N/A	—	—	—	—
	06/01/2017				25,000	—	—	350,000
	06/01/2017					75,000	14.00	232,245
Steve P. Bitler.............	10/19/2017	—	110,000	N/A	2,500	—	—	31,625
	10/19/2017					7,500	12.65	21,347

(1) Amounts shown are estimated payouts for fiscal year 2018 to the Named Executive Officers under the 2018 Cash Incentive Award Plan. The target amount is based on a percentage of the individual's fiscal year 2018 base salary. All executives received a cash incentive award for fiscal year 2018. For more information on these awards, including the amount actually paid, see "Compensation Discussion and Analysis-Annual Cash Incentive Award Plan."

(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 exercise price for all options granted to the Named Executive Officers is 100% of the fair market value of the Common Stock on the grant date. The option exercise price has not been deducted from the amounts indicated above. 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. All options vest at the rate of 1/36th per month and therefore all options are fully vested three years after the date of grant. RSUs typically vest on the third anniversary of the date of grant.

Equity Awards

The following table shows all outstanding equity awards held by the Named Executive Officers at the end of fiscal year 2018. The awards for fiscal year 2018 identified in the table below are also reported in the "Grants of Plan-Based Awards" table on the previous page.

Outstanding Equity Awards at Fiscal 2018 Year-End

		Option Awards				Stock Awards	
Name	Grant Date	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)
Molly A. Hemmeter	10/19/2017	8,749	36,251	12.65	10/19/2024	15,000	210,750
	10/20/2016	—	—	—	—	23,703	333,027
	07/21/2016	91,666	58,334	11.35	07/21/2023	50,000	702,500
	05/28/2015	291,625	8,375	14.39	05/28/2022	50,000	702,500
	06/07/2013	30,000	—	14.30	06/07/2020	—	—
Gregory S. Skinner	10/19/2017	4,082	16,918	12.65	10/19/2024	7,000	98,350
	10/20/2016	—	—	—	—	8,913	125,227
	05/28/2015	43,750	1,250	14.39	05/28/2022	—	—
	06/07/2013	30,000	—	14.30	06/07/2020	—	—
Ronald L. Midyett	10/19/2017	2,916	12,084	12.65	10/19/2024	5,000	70,250
	10/20/2016	—	—	—	—	7,145	100,387
	05/28/2015	29,166	834	14.39	05/28/2022	—	—
	06/07/2013	30,000	—	14.30	06/07/2020	—	—
James G. Hall	06/01/2017	22,916	52,084	14.00	06/01/2024	25,000	351,250
	05/25/2016	10,000	5,000	11.36	05/23/2023	5,000	70,250
	05/28/2015	14,583	417	14.39	05/28/2022	—	—
Steven P. Bitler	10/19/2017	1,458	6,042	12.65	10/19/2024	2,500	35,125
	05/28/2015	14,583	417	14.39	05/28/2022	—	—
	06/07/2013	5,000	—	14.30	06/07/2020	—	—

(1) All options vest at the rate of 1/36 per month over a three-year period from date of grant, other than the option for 300,000 shares granted to Molly Hemmeter on May 28, 2015, which vests at the rate of 1/3 on first anniversary of the date of grant and then 1/36 monthly thereafter.

(2) The RSUs typically vest on the third anniversary of the date of grant, except that the RSUs granted on October 20, 2016 vest on the second anniversary of the grant date.

(3) Value is based on the closing price of the Common Stock of $14.05 on May 27, 2018 as reported on the Nasdaq Global Select Market.

Proxy Statement

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 2018.

Option Exercises and Stock Vested For Fiscal 2018

	Option Awards			Stock Awards		
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($) (1)**	**Number of shares withheld to cover exercise price and taxes (#) (2)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**	**Number of shares withheld to cover taxes (#) (2)**
Molly A. Hemmeter	—	—	—	50,000	682,500	24,790
	—	—	—	23,703	308,139	8,904
Gregory S. Skinner	—	—	—	15,000	204,750	5,151
	—	—	—	8,913	115,869	3,349
Ronald L. Midyett	—	—	—	10,000	136,500	3,416
	—	—	—	7,145	92,885	2,685
James G. Hall	—	—	—	5,000	68,250	1,525
Steven P. Bitler	—	—	—	5,000	68,250	1,741

(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) Indicates shares withheld at the election of the Named Executive Officer to cover the exercise price and/or the taxes owed on the exercise of the option or the vesting of the stock award.

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 2018.

Nonqualified Deferred Compensation

Name	**Executive Contributions in Fiscal Year 2018 ($) (1)**	**Registrant Contributions in Fiscal Year 2018 ($)**	**Aggregate Earnings in Fiscal Year 2018 ($) (2)**	**Aggregate Withdrawals in Fiscal Year 2018 ($)**	**Aggregate Balance at End of Fiscal Year 2018 ($)**
Molly A. Hemmeter	—	—	28,283	254,743	—
Gregory S. Skinner	—	—	—	—	—
Ronald L. Midyett	—	—	—	—	—
James G. Hall	—	—	—	—	—
Steven P. Bitler	—	—	—	—	—

(1) Contributions reported in this column are reported as compensation in the Salary 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 2018.

Employment Contracts and Potential Payments upon Termination or Change in Control

Employment Contracts

On October 15, 2015, the Company entered into an executive employment agreement with Ms. Hemmeter, (the ***"Hemmeter Agreement"***) setting forth the terms of her employment. The Hemmeter Agreement expires on December 31, 2018 unless renewed or extended by both parties, and provides that Ms. Hemmeter shall be paid an annual base salary of $475,000 (which was increased to $525,000 effective at the beginning of fiscal year 2018) through the term of the Hemmeter Agreement (unless modified by the Compensation Committee), and continue to participate in the annual Cash Incentive Award Plan. Ms. Hemmeter is also eligible for grants of equity-based awards at such times and in such amounts as determined by the Compensation Committee.

The Hemmeter Agreement provides that upon Ms. Hemmeter's death or disability, the Company shall pay Ms. Hemmeter or her estate her unpaid base salary and the pro rata portion of her annual cash incentive award through the date of termination.

Ms. Hemmeter agreed, as part of the Hemmeter Agreement, not to solicit, induce, recruit, encourage or take away employees or consultants of the Company for a period of two years following her termination. In addition, Ms. Hemmeter agreed not to solicit any licensor to or customer of the Company for a period of two years following her termination.

On October 15, 2015, 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 expires on December 31, 2018 unless renewed or extended by both parties, and provides that Mr. Skinner shall be paid an annual base salary of $380,000 through the term of the Skinner Agreement (unless modified by the Compensation Committee), and continue to participate in the annual Cash Incentive Award Plan. Mr. Skinner is also eligible for grants of equity-based awards at such times and in such amounts as determined by the Compensation Committee.

The Skinner Agreement provides that upon Mr. Skinner's death or disability, the Company shall pay Mr. Skinner or his estate his unpaid base salary and the pro rata portion of his annual cash incentive award through the date of termination.

Mr. Skinner agreed, as part of the Skinner Agreement, not to solicit, induce, recruit, encourage or take away employees or consultants of the Company for a period of two years following his termination. In addition, Mr. Skinner agreed not to solicit any licensor to or customer of the Company for a period of two years following his termination.

Potential Payments upon Termination or Change in Control

If Ms. Hemmeter is terminated without cause or if she terminates her employment for good reason (generally, any relocation of Ms. Hemmeter's place of employment, reduction in salary, reduction in her target bonus amount or material reduction of her duties or authority), Ms. Hemmeter 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. Hemmeter (and her spouse and eligible dependents) for the maximum period permitted under COBRA or until such earlier time as Ms. Hemmeter receives substantially equivalent health insurance coverage in connection with new employment. In addition, the Hemmeter Agreement provides that if Ms. Hemmeter is terminated without cause or terminates her employment for good reason within two (2) years following a "change of control," Ms. Hemmeter will receive a severance payment equal to 150% 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 the Company will pay the monthly premiums for health insurance coverage for Ms. Hemmeter (and her spouse and eligible dependents) for the maximum period permitted under COBRA or until such earlier time as Ms. Hemmeter receives substantially equivalent health insurance coverage in connection with new employment. In the event of a "change of control," all of Ms. Hemmeter's unvested stock options and other equity awards shall immediately vest and become exercisable.

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

If Ms. Hemmeter's or Mr. Skinner'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 28, 2017, the last day of Landec's 2017 fiscal year, Ms. Hemmeter and Mr. Skinner would have received the following severance benefits under the Hemmeter Agreement and Skinner Agreement, respectively:

Name	Base Salary (1)	Bonus Payment	Accelerated Vesting of Options (2)	Accelerated Vesting of RSUs (3)	Post-Termination Health Insurance Premiums (4)	Total
Molly A. Hemmeter	$ 525,000	$ 436,201	$ 208,253	$ 1,035,527	$ 23,472	$ 2,228,453
Gregory S. Skinner	$ 380,000	$ 189,436	$ 23,685	$ 125,227	$ 23,472	$ 741,820

(1) Reflects potential payments based on salaries as of May 28, 2017.

(2) A portion of unvested options for Ms. Hemmeter and Mr. Skinner are out of the money (exercise price above stock price as of May 27, 2018) and therefore there is no value to the acceleration for those options.

(3) Accelerating the vesting of the outstanding RSUs by one year would result in 73,703 and 8,913 of the currently outstanding RSUs vesting as of May 27, 2018 for each of Ms. Hemmeter and Mr. Skinner, respectively.

(4) Represents the maximum amount of premiums that would have been paid under COBRA on behalf of Ms. Hemmeter and Mr. Skinner

If Ms. Hemmeter's or Mr. Skinner's 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 27, 2018, the last day of Landec's 2018 fiscal year, Ms. Hemmeter and Mr. Skinner would have received the severance benefits under the Hemmeter Agreement and Skinner Agreement, respectively, set forth above, except that amounts received for base salary would have been $787,500 and $570,000 for Ms. Hemmeter and Mr. Skinner, respectively, and the amounts received for the acceleration of RSUs would have been $1,948,777 and $223,577 for Ms. Hemmeter and Mr. Skinner, respectively. Therefore total compensation would have been $3,404,203 and $1,030,170 for Ms. Hemmeter and Mr. Skinner, respectively.

CEO Pay Ratio

The following table sets forth the ratio of the total compensation of the Company's Chief Executive Officer, Molly A. Hemmeter, to that of our median employee for the fiscal year ended May 27, 2018.

Chief Executive Officer total annual compensation	$	1,292,699
Median Employee total annual compensation	$	52,126
Ratio of Chief Executive Officer to Median Employee total annual compensation		25:1

To determine the median employee compensation, we analyzed all of the Company's employees, excluding the Company's Chief Executive Officer, as of May 27, 2018. We annualized wages and salaries for employees that were not employed for the full year. We used base salary and actual bonus as the consistently applied compensation metric to determine the median 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 employee, we calculated annual total compensation for the median employee according to the methodology used to report the annual compensation of our Named Executive Officers in the Summary Compensation Table on page 33.

Policies and Procedures with Respect to Related Party Transactions

The Audit Committee, all of whose members are independent directors, reviews and approves in advance 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

Apio sells products to and earns license fees from Windset. Apio holds a 26.9% equity interest in Windset. During fiscal year 2018, Apio recognized $556,000 of revenues from Windset.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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 27, 2018 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.

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/ Geoffrey P. Leonard

GEOFFREY P. LEONARD
SECRETARY

Santa Clara, California
August 22, 2018

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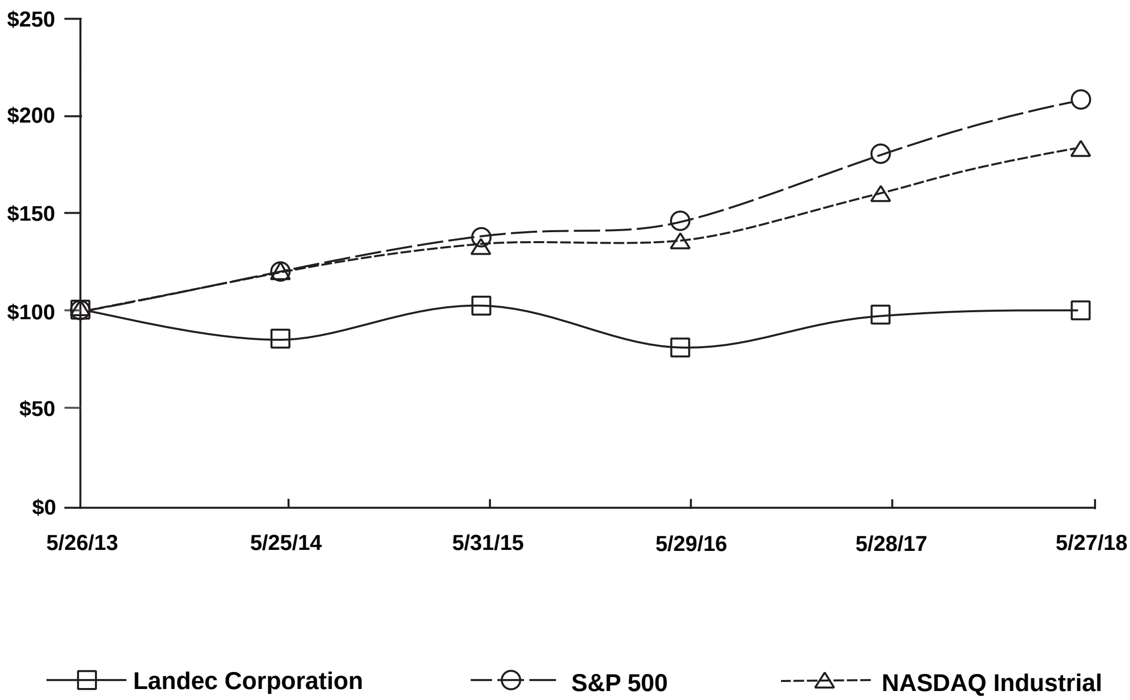
The graph below matches Landec Corporation's cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the S&P 500 index and the NASDAQ Industrial index. The graph tracks the performance of a $100 investment in our common stock and in each index (with the reinvestment of all dividends) from 5/26/2013 to 5/27/2018.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Landec Corporation, the S&P 500 Index
and the NASDAQ Industrial Index



*$100 invested on 5/26/13 in stock or 5/31/13 in index, including reinvestment of dividends.
Indexes calculated on month-end basis.

	5/26/13	5/25/14	5/31/15	5/29/16	5/28/17	5/27/18
Landec Corporation	100.00	86.53	102.95	82.56	98.34	101.22
S&P 500	100.00	120.45	134.67	136.98	160.91	184.05
NASDAQ Industrial	100.00	120.63	138.70	146.15	180.87	208.56

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

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

FORM 10-K

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

For the Fiscal Year Ended May 27, 2018, or

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

For the Transition period for _________ to _________.

Commission file number: **0-27446**

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)

5201 Great America Pkwy Suite 232
Santa Clara, California 95054
(Address of principal executive offices)

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

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

Title of each class	Name of each exchange on which registered
Common Stock	The NASDAQ Global Select Stock Market

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

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

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 _X_

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes _X_ No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ___

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 ___ Accelerated Filer _X_ Emerging Growth Company ___
Non Accelerated Filer ___ Smaller Reporting Company ___

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 is a shell company (as defined in Rule 12b-2 of the Act). Yes ___ No _X_

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $294,832,000 as of November 26, 2017, 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 July 27, 2018, there were 27,735,798 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its October 2018 Annual Meeting of Stockholders which statement will be filed not later than 120 days after the end of the fiscal year covered by this report, are incorporated by reference in Part III hereof.

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LANDEC CORPORATION
ANNUAL REPORT ON FORM 10-K

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PART I

Item 1. *Business*

This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Words such as “projected,” “expects,” “believes,” “intends,” “assumes” and similar expressions are used to identify forward-looking statements. These statements are made based upon current expectations and projections about our business and assumptions made by our management and are not guarantees of future performance, nor do we assume any obligation to update such forward-looking statements after the date this report is filed. 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” and the factors discussed below.

Corporate Overview

Landec Corporation and its subsidiaries (“Landec” or the “Company”) design, develop, manufacture and sell differentiated health and wellness products for food and biomaterials markets. There continues to be a dramatic shift in consumer behavior to healthier eating habits and preventive wellness to improve quality of life. In our Apio, Inc. (“Apio”) Packaged Fresh Vegetable business, we are committed to offering healthy, fresh produce products conveniently packaged to consumers. In our Lifecore Biomedical, Inc. (“Lifecore”) Biomaterials business, we develop and commercialize products with our partners that improve the health of people of all ages. In our new O Olive & Vinegar (“*O*”) business acquired on March 1, 2017, we sell premium California-sourced specialty olive oils and wine vinegar products.

Landec’s Packaged Fresh Vegetables and Biomaterials businesses utilize polymer chemistry technology, a key differentiating factor. Both businesses focus on business-to-business markets such as selling directly to retail grocery store chains and club stores for Apio and directly to partners in the medical device and pharmaceutical markets for Lifecore.

With the discontinuation of the Food Export business in the fourth quarter of fiscal 2018, Landec now has two operating segments – Packaged Fresh Vegetables and Biomaterials, both of which are described below. The results of *O* are included in the Other segment because it was not significant to Landec’s overall results during fiscal year 2018. Financial information concerning each of these segments for fiscal years 2018, 2017, and 2016 is summarized in Note 11 – Business Segment Reporting.

Landec was incorporated in California on October 31, 1986 and reincorporated as a Delaware corporation on November 6, 2008. Our common stock is listed on The NASDAQ Global Select Market under the symbol “LNDC”.

Description of Business Segments

In this Description of Business Segments section, “Apio” and the “Packaged Fresh Vegetables business” will be used interchangeably. The Company decided to discontinue its Food Export segment during the fourth quarter of fiscal year 2018 in order to focus on its higher margin, differentiated Packaged Fresh Vegetables products. As a result, the operating results for the Food Export business are presented as a discontinued operations in the Company’s accompanying Consolidated Financial Statements and the financial results for fiscal years 2017 and 2016 have been reclassified to present the Food Export business as a discontinued operation.

A) Packaged Fresh Vegetables Business

Apio operates the Packaged Fresh Vegetables business, which combines our proprietary BreatheWay® food packaging technology with the capabilities of a large national food supplier and value-added produce processor which sells products under the Eat Smart® brand to consumers and the GreenLine® brand to foodservice operators, as well as under private labels. In Apio’s Packaged Fresh Vegetables operations, produce is processed by trimming, washing, sorting, blending, and packaging into bags and trays that in most cases incorporate Landec’s BreatheWay membrane technology. The BreatheWay membrane increases 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. Apio also generates revenue from the sale and/or use of its BreatheWay technology by partners such as Chiquita Brands International, Inc. (“Chiquita”) for packaging and distribution of bananas and berries and Windset Holding 2010 Ltd., a Canadian corporation (“Windset”), for packaging of greenhouse-grown cucumbers and peppers.

The Packaged Fresh Vegetables business had revenues of $455 million for the fiscal year ended May 27, 2018, $408 million for the fiscal year ended May 28, 2017, and $424 million for the fiscal year ended May 29, 2016.

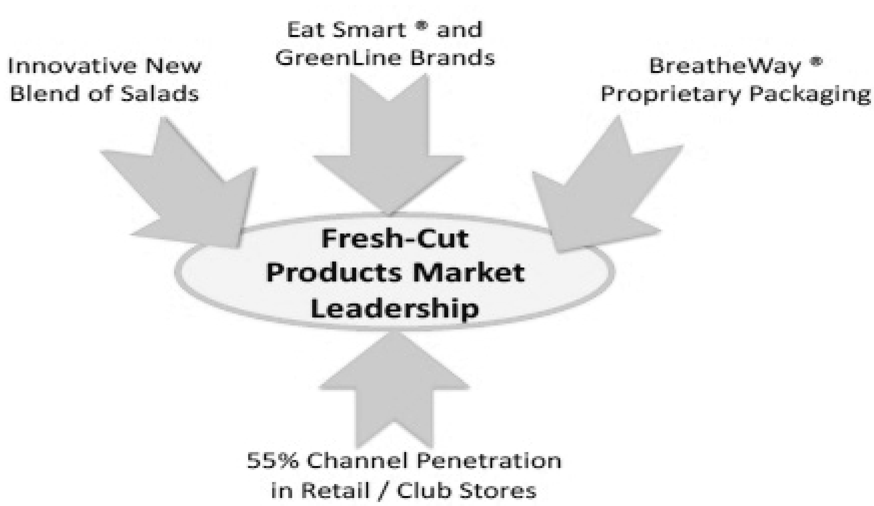
Based in Guadalupe, California, Apio's primary business is fresh-cut and whole vegetable products typically packaged in our proprietary BreatheWay packaging. Apio's Packaged Fresh Vegetables business markets a variety of fresh-cut and whole vegetables and salad kit products to retail grocery chains, club stores and food service operators. During the fiscal year ended May 27, 2018, Apio shipped approximately 28 million cartons of produce to its customers throughout North America, primarily in the United States.

Most vegetable products packaged in our BreatheWay packaging have an approximately 17-day shelf-life. In addition to packaging innovation, Apio has developed innovative blends and combinations of vegetables that are sold in flexible film bags or rigid trays. More recently, Apio has launched a family of salad kits, salad blends and single serve salads that are comprised of "superfood" mixtures of vegetables with healthy toppings and dressings. The first salad kit to launch under our Eat Smart brand was Sweet Kale Salad, which now has wide distribution throughout club and retail stores in North America. Overall, we are currently selling under our Eat Smart brand 12 salad kits, 5 salad blends and 9 single serve salads. The Company's expertise includes accessing leading culinary experts and nutritionists nationally to help in the new product development process. We believe that our new products are "on trend" and strong market acceptance supports this belief. Recent statistics show that more than two-thirds of adults are considered to be overweight or obese and more than one-third of adults are considered to be obese. More and more consumers are beginning to make better food choices in their schools, homes and in restaurants and that is where our superfood products can fit into consumers' daily healthy food choices.

In addition to proprietary packaging technology and a strong new product development pipeline, the Company has strong channels of distribution throughout North America with retail grocery store chains and club stores. Landec has one or more of its products in approximately 55% of all retail and club store sites in North America giving us a strong platform for introducing new products. The Company believes it will have growth opportunities for the next several years through new customers, the introduction of innovative products and expansion of its existing customer relationships.

The Company sells its products under its nationally-known Eat Smart brand to retail and club stores and its GreenLine brand to foodservice operators. The Company also periodically licenses its BreatheWay packaging technology to partners. 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 fruits and vegetables that can benefit from the Company's BreatheWay technology. Landec manufactures its BreatheWay packaging through selected qualified contract manufacturers.

Apio Business Model



There are four major distinguishing characteristics of Apio that provide competitive advantages in the Packaged Fresh Vegetables market:

Packaged Vegetables Supplier: Apio has structured its business as a marketer and seller of branded and private label blended, fresh-cut and whole vegetable products. It is focused on selling products primarily under its Eat Smart

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brand, with some sales under its GreenLine brand and private label brands. As retail grocery chains, club stores and food service operators consolidate, Apio is well positioned as a single source of a broad range of products.

Nationwide Processing and Distribution: Apio has strategically invested in its Packaged Fresh Vegetables business. Apio's largest processing plant is in Guadalupe, CA, and is automated with state-of-the-art vegetable processing equipment in one of the lowest cost, growing regions in California, the Santa Maria Valley. With the acquisition of GreenLine in 2012, Apio added three East Coast processing facilities and five East Coast distribution centers for nationwide delivery of all of its packaged vegetable products in order to meet the next-day delivery needs of customers.

Expanded Product Line Using Technology and Unique Blends: Apio is introducing new packaged vegetable products each year, and many of these products use our BreatheWay packaging technology to extend shelf-life. These new product offerings range from various sizes of fresh-cut bagged products, to vegetable trays, to whole produce, to vegetable salads and to snack packs. During fiscal year 2018, Apio introduced fifteen new unique products.

Products Currently in Approximately 55% of North American Retail Grocery Stores: Apio has products in approximately 55% of all North American retail grocery stores. This gives Apio the opportunity to sell new products to existing customers and to increase distribution of its approximately 120 unique products within those customers.

Windset

The Company believes that hydroponically-grown produce using Windset's know-how and growing practices will result in higher yields with competitive growing costs that will provide dependable year-round supply to Windset's customers. See Note 3 – Investment in Non-public Company for further information regarding the Company's investment in Windset. In addition, the produce grown in Windset's greenhouses uses significantly less water than field grown crops. 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.

B) Biomaterials Business

Lifecore operates our Biomaterials business and is involved in the development and manufacture of pharmaceutical-grade sodium hyaluronate ("HA") products and providing contract development and aseptic manufacturing services. Sodium hyaluronate is a naturally occurring polysaccharide that is widely distributed in the extracellular matrix in animals and humans. Based upon Lifecore's expertise working with highly viscous HA, the Company specializes in fermentation and aseptic formulation, filling, and packaging services, as a contract development and manufacturing organization ("CDMO"), for difficult to handle (viscous) medicines filled in finished dose vials and syringes.

Our Biomaterials business operates through our Lifecore subsidiary. Lifecore had revenues of $65 million for the fiscal year ended May 27, 2018, $59 million for the fiscal year ended May 28, 2017, and $50 million for the fiscal year ended May 29, 2016.

Lifecore is involved in the manufacture of pharmaceutical-grade sodium hyaluronate 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 leverages its fermentation process to manufacture premium, pharmaceutical-grade HA and uses its aseptic filling capabilities to deliver private-label HA and non-HA finished products to its customers. There is now a greater percentage of Americans age 65 and older than at any other time in U.S. history and currently over 50 million Americans are 65 years of age or older and this trend is expected to accelerate dramatically in the upcoming years. As our population ages, eye surgeries, such as cataract surgeries, will increase, and other patients will increasingly seek joint therapy as cartilage and soft tissue deteriorates. HA injections are a primary course of treatment for such conditions and Lifecore has built a leadership position in the markets it serves. The World Health Organization estimates that by 2020, 32 million cataract operations will be performed worldwide, up from 12 million in 2000. Lifecore's expertise includes its ability to ferment, separate, purify, and aseptically formulate and fill HA and other polymers for injectable product use. There are several markets Lifecore serves including ophthalmic, orthopedic, oncology, general surgery, ENT, respiratory and general drug delivery. Lifecore sells its products through partners in the U.S., Europe, Asia, Australia, Canada and South America. Lifecore has built its reputation as a premium supplier of HA and more recently as a specialty CDMO.

Lifecore 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.

By leveraging its fermentation process and aseptic formulation and filling expertise, Lifecore has become a leader in the supply of HA-based products for multiple applications, and has taken advantage of non-HA device and drug opportunities by leveraging its expertise in development, manufacturing and aseptic syringe and vial filling capabilities. Elements of Lifecore's strategy include the following:

- *Establish strategic relationships with market leaders.* Lifecore will continue 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 products, Lifecore has been able to establish long-term relationships with the market leading pharmaceutical and medical device companies, 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 the role it plays in normal physiology, 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 pursue contract aseptic filling and fermentation opportunities.* Lifecore has made strategic capital investments in its CDMO business focusing on extending its aseptic filling capacity and capabilities. It is investing in this segment to meet increasing partner demand and 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.

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C) Oth**er**

Included in the Other business segment is Corporate and *O*. 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 over 4,000 natural food, conventional grocery and mass retail stores, primarily in the United States and Canada. *O* had revenues of $3.8 million for the twelve months ended May 27, 2018 and $773,000 from the acquisition date through May 28, 2017.

Technology Overview

The Company has two proprietary polymer technology platforms: (1) Intelimer® materials, which are the key technology behind our BreatheWay membrane technology, and (2) hyaluronan biopolymers. The Company's materials are generally proprietary as a result of being patented or due to being specially formulated for specific customers to meet specific commercial applications and/or specific regulatory requirements. The Company's polymer technologies, customer relationships, trade names and strong channels of distribution are the foundation and key differentiating advantages on which Landec has built its business.

A) Intelimer Polymers

Intelimer polymers are crystalline, hydrophobic polymers that use a temperature switch to control and modulate properties such as viscosity, permeability and adhesion when varying the materials' temperature above and below the temperature switch. The sharp temperature switch is adjustable at relatively low temperatures (0°C to 100°C) and the changes resulting from the temperature switch are relatively easy to maintain in industrial and commercial environments. For instance, Intelimer polymers can change within the range of one or two degrees Celsius from a non-adhesive state to a highly tacky, adhesive state; from an impermeable state to a highly permeable state; or from a solid state to a viscous liquid state.

Landec's proprietary polymer technology is based on the structure and phase behavior of Intelimer materials. The abrupt thermal transitions of specific Intelimer materials are achieved through the controlled use of hydrocarbon side chains that are attached to a polymer backbone. Below a pre-determined switch temperature, the polymer's side chains align through weak hydrophobic interactions resulting in a crystalline structure. When this side chain crystallizable polymer is heated to, or above, this switch temperature, these interactions are disrupted and the polymer is transformed into an amorphous, viscous state. Because this transformation involves a physical and not a chemical change, this process can be repeatedly reversible. Landec can set the polymer switch temperature anywhere between 0°C to 100°C by varying the average length of the side chains.

Landec's Intelimer materials are readily available and are generally synthesized from long side-chain acrylic monomers that are derived primarily from natural materials such as coconut and palm oils that are highly purified and designed to be manufactured economically through known synthetic processes. These acrylic-monomer raw materials are then polymerized by Landec leading to many different side-chain crystallizable polymers whose properties vary depending upon the initial materials and the synthetic process. Intelimer materials can be made into many different forms, including films, coatings, microcapsules and discrete forms. Intelimer polymers are the coatings on the substrate used to form our BreatheWay membranes.

BreatheWay Membrane Packaging

Certain types of fresh-cut and whole produce can spoil or discolor rapidly when packaged in conventional packaging materials and, therefore, are limited in their ability to be distributed broadly to markets. The Company’s proprietary BreatheWay packaging technology utilizes Landec’s Intelimer polymer technology to naturally extend the shelf-life and quality of fresh-cut and whole produce.

After harvesting, vegetables and fruit continue to respire, consuming oxygen and releasing carbon dioxide. Too much or too little oxygen can result in premature spoilage and decay. The respiration rate of produce varies for each fruit and vegetable. Conventional packaging films used today, such as polyethylene and polypropylene, can be made with modest permeability to oxygen and carbon dioxide, but often do not provide the optimal atmosphere for the packaged produce. To achieve optimal product performance, each fruit or vegetable requires its own unique package atmosphere conditions. The challenge facing the industry is to develop packaging that meets the highly variable needs that each product requires in order to achieve value-creating performance. The Company believes that its BreatheWay packaging technology possesses all of the critical functionalities required to serve this diverse market. In creating a product package, a BreatheWay membrane is applied over a small cutout section or an aperture of a flexible film bag or plastic tray. This highly permeable “window” acts as the mechanism to provide the majority of the gas transmission requirements for the entire package. These membranes are designed to provide three principal benefits:

High Permeability. Landec's BreatheWay packaging technology is designed to permit transmission of oxygen and carbon dioxide at 300 to 1,000 times the rate of conventional packaging films. The Company believes that these higher permeability levels will facilitate the packaging diversity required to market many types of fresh-cut and whole produce in many package sizes and configurations.

Ability to Adjust Oxygen and Carbon Dioxide Ratios. BreatheWay packaging can be tailored with carbon dioxide to oxygen transfer ratios ranging from 1.0 to 12.0 to selectively transmit oxygen and carbon dioxide at optimum rates to sustain the quality and shelf-life of packaged produce. Other high permeability packaging materials, such as micro-perforated films cannot differentially control carbon dioxide permeability, resulting in sub-optimal package atmosphere conditions for many produce products.

Temperature Responsiveness. Landec has developed breathable membranes that can be designed to increase or decrease permeability in response to environmental temperature changes. The Company has developed packaging that responds to higher oxygen requirements at elevated temperatures, but is also reversible, and returns to its original state as temperatures decline. As the respiration rate of fresh produce also increases with temperature, the BreatheWay membrane's temperature responsiveness allows packages to compensate for the change in produce respiration by automatically adjusting gas permeation rates. By doing so, detrimental package atmosphere conditions are avoided and improved quality is maintained through the distribution chain.

B) Sodium Hyaluronate (HA)

Sodium hyaluronate is a non-crystalline, hydrophilic polymer that exists naturally as part of the extracellular matrix in many tissues within the human body, most notably within the aqueous humor of the eye, synovial fluid, skin and umbilical cord. The viscoelastic properties and water solubility of HA make it ideal for medical applications where space maintenance, lubricity, drug delivery or tissue protection are critical. Because of its widespread presence in tissues, its critical role in normal physiology, and its high degree of biocompatibility, the Company believes that hyaluronan will continue to be used in existing applications and for an increasing variety of other medical applications.

Sodium hyaluronate can primarily be produced in two ways, either through bacterial fermentation or through extraction from rooster combs. Lifecore produces HA only from fermentation, using an extremely efficient microbial fermentation process and a highly effective purification operation.

Sodium hyaluronate was first demonstrated to have commercial medical utility as a viscoelastic solution in cataract surgery. In this application, it is used for maintaining the space in the anterior chamber and protecting corneal tissue during the removal and implantation of intraocular lenses. The first ophthalmic HA product, produced by extraction from rooster comb tissue, became commercially available in the United States in 1981. In 1985, Lifecore introduced the bacterial fermentation process to manufacture premium HA and received patent protection until 2002. HA-based products, produced either by rooster comb extraction or by fermentation processes such as Lifecore's, have since gained widespread acceptance in ophthalmology and are currently used in the majority of cataract extraction procedures in the world. HA has also become a significant component in several products used in orthopedics. Lifecore's HA is used as a viscous carrier for allogeneic freeze-dried demineralized bone used in spinal surgery, and as the active component of devices to treat the symptoms of osteoarthritis, and as a component to provide increased lubricity to medical devices. Lifecore's HA has also been utilized in veterinary drug applications to treat traumatic arthritis.

Trademarks and Trade names

Intelimer®, Landec®, Apio™, Eat Smart®, BreatheWay®, GreenLine®, Clearly Fresh™, Lifecore®, LUROCOAT®, Ortholure™ and O Olive & Vinegar® are some of the trademarks or registered trademarks and trade names of the Company in the United States and other countries. This Annual Report on Form 10-K also refers to the trademarks of other companies.

Sales and Marketing

Apio is supported by dedicated sales and marketing resources. Apio has 46 sales and marketing employees, located in central California and throughout the U.S. and Canada, supporting the Packaged Fresh Vegetables business. During fiscal years 2018, 2017, and 2016, sales to the Company's top five customers accounted for approximately 49%, 48%, and 50%, respectively, of its revenues. The Company's top two customers, both from the Packaged Fresh Vegetables segment, were Costco Wholesale Corporation ("Costco") which accounted for approximately 19%, 20%, and 23%, respectively, and Wal-mart, Inc. ("Wal-mart") which accounted for approximately 18%, 16%, and 14%, respectively, of the Company's revenues. A loss of either of these customers would have a material adverse effect on the Company's business.

Lifecore sells products to partners under supply agreements and also through distribution agreements. Excluding research sales, Lifecore does not sell to end users and, therefore, does not have the traditional infrastructure of a dedicated sales force and marketing employees. It is Lifecore's name recognition and referrals that allow Lifecore it to attract new customers and offer its services with a minimal marketing and sales infrastructure.

Seasonality

Apio's sales are seasonal. The Packaged Fresh Vegetables business can be affected by seasonal weather factors, such as the high cost of sourcing product due to a shortage of essential produce items, which had a significant impact on the Company's results during fiscal years 2018, 2017 and 2016. The Biomaterials business is not significantly affected by seasonality.

Manufacturing and Processing

Packaged Fresh Vegetables Business

The manufacturing process for the Company's proprietary BreatheWay packaging products is comprised of polymer manufacturing, membrane manufacturing and label package conversion. A third-party toll manufacturer currently makes virtually all of the polymers for the BreatheWay packaging system. Select outside contractors currently manufacture the breathable membranes, and Apio performs the label package conversion in its various processing facilities.

Apio processes its packaged fresh vegetable products in its processing facilities located in Guadalupe, California, Bowling Green, Ohio and Hanover, Pennsylvania. Cooling of produce is done through third parties and its own in-house cooling via its various cooling systems.

Apio processes its fresh-cut, packaged green bean products in four processing plants located in Guadalupe, California; Bowling Green, Ohio; Hanover, Pennsylvania; and Vero Beach, Florida.

Biomaterials Business

The commercial production of HA by Lifecore requires fermentation, separation and purification and aseptic processing capabilities. Products are supplied in a variety of bulk and single dose configurations.

Lifecore produces its HA through a bacterial fermentation process. Pharmaceutical grade HA was initially commercially available only through an extraction process from rooster combs. Lifecore believes that the fermentation manufacturing approach is superior to rooster comb extraction because of negativity surrounding animal-sourced materials, greater efficiency and flexibility, a more favorable long-term regulatory environment, and better economies of scale in producing large commercial quantities. Today's HA competitors are primarily utilizing a fermentation process.

Lifecore's facilities in Chaska, Minnesota are used primarily for the HA manufacturing process, formulation, aseptic syringe and vial filling, analytical services, secondary packaging, warehousing raw materials and finished goods, and distribution. 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.

Lifecore provides versatility in the manufacturing of various types of finished products. It supplies several different forms of HA in a variety of molecular weight fractions as powders, solutions and gels, and in a variety of bulk and single-use finished packages. Lifecore continues to conduct development work designed to improve production efficiencies and expand its capabilities to achieve a wider range of HA product specifications in order to address the broadening opportunities for using HA in medical and pharmaceutical applications.

The Food and Drug Administration ("FDA") inspects the Company's facilities and manufacturing systems periodically and requires compliance with the FDA's Quality System Regulation ("QSR") and its current Good Manufacturing Practices ("cGMP") regulations, as applicable. In addition, Lifecore's customers conduct intensive quality audits of the facility and its operations. Lifecore also periodically contracts with independent regulatory consultants to conduct audits of its operations. Similar to other manufacturers subject to regulatory and customer specific requirements, Lifecore's facility was designed to meet applicable regulatory requirements and has been cleared for the manufacturing of both device and pharmaceutical products. The Company maintains a Quality System which complies with applicable standards and regulations: FDA Medical Device Quality System requirements (21 CFR 820); FDA Drug Good Manufacturing Practices (21 CFR 210-211); European Union Good Manufacturing Practices (EudraLex Volume 4); Medical Device Quality Management System (ISO 13485); European Medical Device Directive; Canadian Medical Device Regulations; International Guide for Active Pharmaceutical Ingredients (ICH Q7), and Australian Therapeutic Goods Regulations. Compliance with these international standards of quality greatly assists in the marketing of Lifecore's products globally.

O Business

O uses third parties to crush, process and bottle its olive oil products. During the fourth quarter of fiscal year 2018, *O* moved the fermentation of vinegar in-house upon completing the installation of new vinegar fermentation equipment in its Petaluma facility. The first sales of vinegar produced by *O* began late in the fourth quarter of fiscal year 2018.

General

Several of the raw materials used in manufacturing certain of the Company's products are currently purchased from a single source. Although to date the Company has not experienced difficulty acquiring materials for the manufacturing of its products, no assurance can be given that interruptions in supplies will not occur in the future, that the Company will be able to obtain substitute vendors, or that the Company will be able to procure comparable materials at similar prices and terms within a reasonable time. Any such interruption of supply could have a material adverse effect on the Company's ability to manufacture and distribute its products and, consequently, could materially and adversely affect the Company's business, operating results and financial condition.

Research and Development

Landec is focusing its research and development resources on both existing and new product applications. Expenditures for research and development for the fiscal years ended May 27, 2018, May 28, 2017, and May 29, 2016 were $12.8 million, $9.5 million, and $7.2 million, respectively. The Company anticipates that it will continue to incur significant research and development expenditures in order to maintain its competitive position with a continuing flow of innovative, high-quality products and services. As of May 27, 2018, Landec had 61 employees engaged in research and development with experience in polymer and analytical chemistry, product application, product formulation, and mechanical and chemical engineering.

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 had 50 U.S. patents issued of which 26 remain active as of May 27, 2018 with expiration dates ranging from 2018 to 2031. There can be no assurance that any of the pending patent applications will be approved, that the Company will develop additional proprietary products that are patentable, that any patents issued to the Company will provide the Company with competitive advantages, will not be challenged by any third parties or that the patents of others will not prevent the commercialization of products incorporating the Company's technology. Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of the Company's products or design around the Company's patents. Any of the foregoing results could have a material adverse effect on the Company's business, operating results and financial condition.

The commercial success of the Company will also depend, in part, on its ability to avoid infringing patents issued to others. If the Company were determined to be infringing any third-party patent, the Company could be required to pay damages, alter its products or processes, obtain licenses or cease certain activities. In addition, if patents are issued to others which contain claims that compete or conflict with those of the Company and such competing or conflicting claims are ultimately determined to be valid, the Company may be required to pay damages, to obtain licenses to these patents, to develop or obtain alternative technology or to cease using such technology. If the Company is required to obtain any licenses, there can be no assurance that the Company will be able to do so on commercially favorable terms, if at all. The Company's failure to obtain a license to any technology that it may require to commercialize its products could have a material adverse impact on its business, operating results and financial condition.

Government Regulation

Government regulation in the United States and other countries is a significant factor in the marketing of certain of the Company's products and in the Company's ongoing research and development activities and contract manufacturing activities. Under the Federal Food, Drug, and Cosmetic Act ("FDC Act") 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 ("PMAs"), or New Drug Applications ("NDA"), or Pre-Market Notifications ("510(k)"s), 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, recordkeeping 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 QSR and/or drug GMP 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. Other applicable FDA requirements include but are not limited to reporting requirements such as the medical device reporting ("MDR") 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.

The Company's food products and operations are also subject to regulation by various federal, state, and local agencies. Food products are regulated by the FDA under the FDC Act and the rules and regulations promulgated thereunder. The FDA has the authority to inspect the Company's food facilities, and regulates, among other things, food manufacturing (pursuant to food-related cGMPs), food packing and holding, food safety, the growing and harvesting of produce intended for human consumption, food labeling, and food packaging. The FDA is currently implementing the FDA Food Safety Modernization Act and has published a number of final rules related to, among other things, hazard analysis and preventive controls, produce safety, foreign supplier verification programs, sanitary transportation of food, and food defense. The compliance dates for these rules vary and started as early as September, 2016. The FDA also requires companies to report to the FDA via the Reportable Food Registry when there is a reasonable probability that the use of, or exposure to, an article of food will cause serious adverse health consequences or death to humans or animals. In addition, the Federal Trade Commission ("FTC") and other state authorities regulate how the Company may promote and advertise its food products.

Employees

As of May 27, 2018, Landec had 710 full-time employees, of whom 568 were dedicated to research, development, manufacturing, quality control and regulatory affairs, and 142 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 http://www.landec.com. Landec makes available free of charge its annual, quarterly and current reports, and any amendments to those reports, as soon as reasonably practicable after electronically filing such reports with the SEC. Information contained on our website is not part of this Report.

Item 1A. ***Risk Factors***

Landec desires to take advantage of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995 and of Section 21E and Rule 3b-6 under the Securities Exchange Act of 1934. Specifically, Landec wishes to alert readers that the following important factors could in the future affect, and in the past have affected, Landec's actual results and could cause Landec's results for future periods to differ materially from those expressed in any forward-looking statements made by, or on behalf, of Landec. Landec assumes no obligation to update such forward-looking statements.

Adverse Weather Conditions and Other Acts of God May Cause Substantial Decreases in Our Sales and/or Increases in Our Costs

Our Packaged Fresh 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 experienced significant product sourcing issues in fiscal years 2018, 2017 and 2016 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.

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. Apio 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.

As a result of these and other factors, we expect to continue to experience fluctuations in quarterly operating results.

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.

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 Apio, which use contract employees could be found to be "joint employers" with the staffing firm. During fiscal year 2017, the Company settled a lawsuit in which it and Apio's labor contractor were named in several civil actions and administrative actions involving claims filed by current and past employees of Apio's labor contractor.

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.

We Depend on Our Infrastructure to Have Sufficient Capacity to Handle Our On-Going Production Needs

We have an infrastructure that has sufficient capacity for our on-going production needs, but if our machinery or facilities are damaged or impaired due to natural disasters or mechanical failure, 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 Have a Concentration of Manufacturing for Apio and Lifecore and May Have to Depend on Third Parties to Manufacture Our Products

Any disruptions in our primary manufacturing operations at Apio's facilities in Guadalupe, CA, Bowling Green, OH or Hanover, PA or Lifecore's facilities in Chaska, MN would reduce our ability to sell our products and would have a material adverse effect on our financial results. 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.

Any New Business Acquisition Will Involve Uncertainty Relating to Integration

We acquired *O* in March 2017 and 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.

Our Dependence on Single-Source Suppliers and Service Providers May Cause Disruption in Our Operations Should Any Supplier Fail to Deliver Materials

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. Several services that are provided to Apio are obtained from a single provider. 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. Any interruption of our relationship with single-source suppliers or service providers could delay product shipments and materially harm our business.

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 Apio’s 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 Apio 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, 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 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 Apio, and the facilities in which they are packed and processed. Failure to comply with the applicable regulatory requirements can, among other things, result in:

fines, injunctions, civil penalties, and 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 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 Packaged Fresh Vegetables 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 Apio. 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 its products under development 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 Company's clinical studies will be authorized to proceed, or if authorized will show safety or effectiveness; that any of the Company's products that require FDA clearance or approval will obtain such clearance or approval on a timely basis, on terms acceptable to the 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, manufacturing, labeling, distribution, post-marketing product modifications, advertising, promotion, import, export 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. 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 export, a hold or delay in pending product approvals, 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 or could cause our manufacturing operations to be suspended and changes in environmental regulations may impose the need for additional capital equipment or other requirements.

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, 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, 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 bad debt expense for Landec. 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 International Sales May Expose Our Business to Additional Risks

For fiscal year 2018, approximately 20% 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.

Cancellations or Delays of Orders by Our Customers May Adversely Affect Our Business

During fiscal year 2018, sales to our top five customers accounted for approximately 49% of our revenues, with our two largest customers from our Packaged Fresh Vegetables segment, Costco and Wal-mart accounting for approximately 19% and 18%, respectively, of our revenues. 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 Apio 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 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. If any of our products are determined or alleged to be contaminated or defective or to have caused a 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. 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.

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,
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.

Lapses in Disclosure Controls and Procedures or Internal Control Over Financial Reporting Could Materially and Adversely Affect the Company's Operations, Profitability or Reputation

We are committed to maintaining high standards of internal control over financial reporting and disclosure controls and procedures. Nevertheless, 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.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

As of May 27, 2018, the Company owned or leased properties in Santa Clara, Petaluma, Santa Maria, Ontario and Guadalupe, California; Chaska, Minnesota; Bowling Green and McClure, Ohio; Hanover, Pennsylvania; Vero Beach, Florida; Rock Hill, South Carolina and Rock Tavern, New York as described below.

Location	Business Segment	Ownership	Facilities	Acres of Land	Lease Expiration
Guadalupe, CA.............	Packaged Fresh Vegetables	Owned	199,000 square feet of office space, manufacturing and cold storage	25.2	—
Bowling Green, OH	Packaged Fresh Vegetables	Owned	55,900 square feet of office space, manufacturing and cold storage	7.7	—
Hanover, PA.................	Packaged Fresh Vegetables	Owned	64,000 square feet of office space, manufacturing and cold storage	15.3	—
Rock Hill, SC................	Packaged Fresh Vegetables	Owned	16,400 square feet of cold storage and office space	3.6	—
Vero Beach, FL.............	Packaged Fresh Vegetables	Leased	9,200 square feet of office space, manufacturing and cold storage	—	12/31/20
Rock Tavern, NY..........	Packaged Fresh Vegetables	Leased	7,700 square feet of cold storage and office space	—	8/23/23
McClure, OH	Packaged Fresh Vegetables	Leased	Farm land	185	12/31/20
Guadalupe, CA.............	Packaged Fresh Vegetables	Leased	105,000 square feet of parking space	2.4	9/30/18
Guadalupe, CA.............	Packaged Fresh Vegetables	Leased	5,300 square feet of office space	—	Month-to-Month
Santa Maria, CA	Packaged Fresh Vegetables	Leased	36,300 square feet of office and laboratory space	—	3/31/30
Ontario, CA...................	Packaged Fresh Vegetables	Leased	54,300 square feet of office and manufacturing space	—	2/29/28
Chaska, MN	Biomaterials	Owned	147,300 square feet of office, laboratory and manufacturing space	27.5	—
Chaska, MN	Biomaterials	Leased	65,000 square feet of office, manufacturing and warehouse space	—	12/31/22
Santa Clara, CA	Other	Leased	3,657 square feet of office space	—	12/31/21
Petaluma, CA................	Other	Leased	14,100 square feet of office, manufacturing and warehouse space	—	1/31/21

Item 3. ***Legal Proceedings***

In the ordinary course of business, the Company is 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.

Apio has been the target of a union organizing campaign which has included three unsuccessful attempts to unionize Apio's Guadalupe, California processing plant. The campaign involved a union and over 100 former and current employees of Pacific Harvest, Inc. and Rancho Harvest, Inc. (collectively "Pacific Harvest"), Apio's 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 Apio and Pacific Harvest.

The legal actions consisted of three main types of claims: (1) Unfair Labor Practice claims ("ULPs") before the National Labor Relations Board (“NLRB”), (2) discrimination/wrongful termination claims before state and federal agencies and in individual arbitrations, and (3) wage and hour claims as part of two Private Attorney General Act (“PAGA”) cases in state court and in over 100 individual arbitrations.

A settlement of the ULPs among the union, Apio, and Pacific Harvest that were pending before the NLRB was approved on December 27, 2016 for $310,000. Apio was responsible for half of this settlement, or $155,000. On May 5, 2017, the parties to the remaining actions executed a settlement agreement concerning the discrimination/wrongful termination claims and the wage and hour claims which covers all non-exempt employees of Pacific Harvest working at Apio's Guadalupe, California processing facility from September 2011 through the settlement date. Under the settlement agreement, the plaintiffs are to be paid $6.0 million in three installments: $2.4 million, which was paid on July 3, 2017, $1.8 million which was paid on November 22, 2017 and $1.8 million which was paid in July 2018. The Company and Pacific Harvest have each agreed to pay one half of the settlement payments. The Company paid the entire first two installments of $4.2 million and will be reimbursed by Pacific Harvest for its $2.1 million portion, of which $600,000 and $1.5 million is included in Prepaid and other current assets and Other assets, respectively, in the accompanying Consolidated Balance Sheets. This receivable will be repaid through monthly payments until fully paid, which the Company anticipates will occur by December 2020. The Company and Pacific Harvest each made their half of the third installment in July 2018. The Company’s recourse against non-payment by Pacific Harvest is its security interest in assets owned by Pacific Harvest.

During the twelve months ended May 27, 2018 and May 28, 2017, the Company incurred legal expenses of $639,000 and $2.1 million, respectively, related to these actions. During the twelve months ended May 28, 2017, the Company recorded a legal settlement charge of $2.6 million related to these actions. As of May 27, 2018, the Company had accrued $1.0 million related to these actions, which is included in Other accrued liabilities in the accompanying Consolidated Balance Sheets.

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". The following table sets forth for each period indicated the high and low sales prices for the Common Stock.

Fiscal Year Ended May 27, 2018	High	Low
4th Quarter ended May 27, 2018	$ 14.55	$ 12.55
3rd Quarter ended February 25, 2018	$ 14.00	$ 11.60
2nd Quarter ended November 26, 2017	$ 13.65	$ 11.42
1st Quarter ended August 27, 2017	$ 14.95	$ 12.10

Fiscal Year Ended May 28, 2017	High	Low
4th Quarter ended May 28, 2017	$ 14.55	$ 11.20
3rd Quarter ended February 26, 2017	$ 15.50	$ 11.85
2nd Quarter ended November 27, 2016	$ 14.70	$ 12.06
1st Quarter ended August 28, 2016	$ 12.80	$ 9.85

Holders

There were approximately 47 holders of record of 27,735,798 shares of outstanding Common Stock as of July 27, 2018. 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

There were no shares repurchased by its Company during fiscal years 2018 or 2017. 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.

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 27, 2018	May 28, 2017 (1)	May 29, 2016 (1)	May 31, 2015 (1)	May 25, 2014 (1)
Statement of Income (Loss) Data: (In thousands, except per share amounts)					
Product sales	$ 524,227	$ 469,776	$ 476,918	$ 471,420	$ 406,986
Cost of product sales	445,889	390,564	410,137	410,265	349,762
Gross profit	78,338	79,212	66,781	61,155	57,224
Operating costs and expenses:					
Research and development	12,800	9,473	7,228	6,988	7,204
Selling, general and administrative	51,951	52,491	46,181	36,795	31,806
Other operating expenses	—	2,580	34,000	—	—
Total operating costs and expenses	64,751	64,544	87,409	43,783	39,010
Operating income (loss)	13,587	14,668	(20,628)	17,372	18,214
Dividend income	1,650	1,650	1,650	1,417	1,125
Interest income	211	16	71	315	260
Interest expense, net	(1,950)	(1,826)	(1,987)	(1,829)	(1,650)
Loss on debt refinancing	—	(1,233)	—	—	—
Other income	2,900	900	1,200	3,107	10,000
Net income (loss) from continuing operations before taxes	16,398	14,175	(19,694)	20,382	27,949
Income tax benefit (expense)	9,363	(4,040)	7,704	(7,698)	(10,580)
Net income (loss) from continuing operations	25,761	10,135	(11,990)	12,684	17,369
Discontinued operations:					
(Loss) income from discontinued operations	(1,188)	837	842	1,089	1,976
Income tax benefit (expense)	350	(295)	(300)	(48)	(3)
(Loss) income from discontinued operations, net of tax	(838)	542	542	1,041	1,973
Net income (loss)	24,923	10,677	(11,448)	13,725	19,342
Non-controlling interest expense	(94)	(87)	(193)	(181)	(197)
Net income (loss) applicable to common stockholders	$ 24,829	$ 10,590	$ (11,641)	$ 13,544	$ 19,145
Basic net income (loss) per share:					
Income (loss) from continuing operations	$ 0.93	$ 0.37	$ (0.45)	$ 0.46	$ 0.65
(Loss) income from discontinued operations	(0.03)	0.02	0.02	0.04	0.07
Total basic net income (loss) per share	$ 0.90	$ 0.39	$ (0.43)	$ 0.50	$ 0.72
Diluted net income (loss) per share:					
Income (loss) from continuing operations	$ 0.92	$ 0.36	(0.45)	0.46	0.64
(Loss) income from discontinued operations	(0.03)	0.02	0.02	0.04	0.07
Total diluted net income (loss) per share	$ 0.89	$ 0.38	$ (0.43)	$ 0.50	$ 0.71
Shares used in per share computation:					
Basic	27,535	27,276	27,044	26,884	26,628
Diluted	27,915	27,652	27,044	27,336	27,120

	Year Ended				
	May 27, 2018	May 28, 2017	May 29, 2016	May 31, 2015	May 25, 2014
Balance Sheet Data:		(1)	(1)	(1)	(1)
(in thousands)					
Cash and cash equivalents	$ 2,899	$ 5,998	$ 9,894	$ 14,127	$ 14,243
Total assets	404,703	358,608	342,653	346,465	313,623
Long-term debt, net	37,360	42,299	53,845	42,519	34,372
Retained earnings	109,299	84,470	73,457	85,098	71,554
Total stockholders' equity	$ 252,562	$ 226,609	$ 210,728	$ 218,432	$ 203,069

(1) During fourth quarter of fiscal year 2018, the Company made the decision to discontinue its Food Export business. 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 the Food Export segment as a discontinued operation and to classify the Food Export Segment as a group of assets held for abandonment. The operating results for the Food Export business have therefore been reclassified as a discontinued operation.

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." Landec undertakes no obligation to revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this report.

Overview

The Company has two operating segments – Packaged Fresh Vegetables and Biomaterials. Prior to May 2018, the Company aggregated its operating units into three reportable segments: Packaged Fresh Vegetables, Food Export and Biomaterials. However, during the fourth quarter of fiscal year 2018, the Company made the decision to discontinue its Food Export segment. The discontinuation met the requirements of ASC 205-20, and ASC 360, *Property, Plant and Equipment*, to report the results of the Food Export segment as a discontinued operation. The Packaged Fresh Vegetables segment combines the Company's BreatheWay packaging technology with Apio's branded Eat Smart and GreenLine and private label fresh-cut and whole produce business. The Biomaterials business sells products utilizing HA in the ophthalmic, orthopedic and oncology segments and also supplies HA to customers pursuing other medical applications, such as aesthetic surgery, medical device coatings, tissue engineering and pharmaceuticals. In addition, Lifecore provides specialized aseptic fill and finish services in a cGMP validated manufacturing facility for supplying commercial, clinical and pre-clinical products. The results of the recently acquired *O* business are included in the Other segment because it was not significant to the Company's overall results. See "Business - Description of Business Segments."

As of May 27, 2018, the Company's retained earnings were $109.3 million. The Company may incur losses in the future. The amount of future net profits, if any, is uncertain and there can be no assurance that the Company will be able to sustain profitability in future years.

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.

Revenue Recognition

See Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies for a discussion of the types of revenue earned at each segment. See Note 11 – Business Segment Reporting, for a discussion about the Company's three business segments; namely, Packaged Fresh Vegetables and Biomaterials, and its Other segment.

Goodwill and Other Intangibles

The Company's intangible assets are comprised of customer relationships with a finite estimated useful life of eleven to thirteen years, and trademarks, trade names and goodwill with indefinite lives (collectively, "intangible assets"), which the Company recognized in accordance with accounting guidance (i) upon the acquisition of *O* in March 2017 (ii) upon the acquisition of GreenLine by Apio in April 2012, (iii) upon the acquisition of Lifecore in April 2010, and (iv) upon the acquisition of Apio in December 1999. Accounting guidance defines goodwill as "the excess of the cost of an acquired entity over the net of the estimated fair values of the assets acquired and the liabilities assumed at date of acquisition." All intangible assets, including goodwill, associated with the acquisition of Lifecore was allocated to our Biomaterials reporting unit, the acquisitions of Apio and GreenLine were allocated to our Packaged Fresh Vegetables reporting unit, and the acquisition of *O* was allocated to our Other reporting unit, pursuant to accounting guidance based upon the allocation of assets and liabilities acquired and consideration paid for each reporting unit. As of May 27, 2018, the Biomaterials reporting unit had $13.9 million of goodwill, the Packaged Fresh Vegetables reporting unit had $35.4 million of goodwill, and the Other reporting unit had $5.2 million of goodwill.

The Company tests its indefinite-lived intangible assets for impairment at least annually, in accordance with accounting guidance. See Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies for a discussion of the analysis performed by the Company on indefinite-lived assets.

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. See Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies for a discussion of how the Company accounts for income taxes.

Stock-Based Compensation

The Company's stock-based awards include stock option grants and restricted stock unit awards ("RSUs"). The estimated fair value for stock options, which determines the Company's calculation of compensation expense, is based on the Black-Scholes pricing model. See Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies for a discussion of how the Company accounts for stock-based compensation.

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. See Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies for a discussion of how the Company accounts for its investment in a non-public company and for its interest rate swap.

Recent Accounting Pronouncements

<u>Recently Adopted Pronouncements</u>

On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete its accounting for certain income tax effects of the TCJA. Pursuant to SAB 118, as of May 27, 2018, the Company had not yet completed its accounting for the tax effects of the enactment of the TCJA. The Company's provision for income taxes for the year ended May 27, 2018 is based in part on its best estimate of the effects of the transition tax and existing deferred tax balances with its understanding of the TCJA and guidance available as of the date of this filing. The Company is still analyzing certain aspects of the TCJA and refining the estimate of the expected reversal of our deferred tax balance. This can potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. The Company adopted the provision of SAB 118 in the third quarter of 2018.

Recently Issued Pronouncements to be Adopted

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, which creates FASB ASC Topic 606, *Revenue from Contracts with Customers* and supersedes ASC Topic 605, *Revenue Recognition* ("ASU 2014-09"). The guidance replaces industry-specific guidance and establishes a single five-step model to identify and recognize revenue. The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires the entity to disclose further quantitative and qualitative information regarding the nature and amount of revenues arising from contracts with customers, as well as other information about the significant judgments and estimates used in recognizing revenues from contracts with customers. Since its original issuance, the FASB has issued several additional related ASUs to address implementation concerns and to further clarify certain guidance within ASU 2014-09. The Company will adopt these updates beginning with the first quarter of fiscal year 2019 and anticipates doing so using the modified retrospective method, which would require the Company to restate each prior reporting period presented consistent with the standard.

The Company recently completed its evaluation of the impact of the adoption of ASU 2014-09. As a result, the Company has identified the following core revenue streams from its contracts with customers:

- Finished goods product sales (Packaged Fresh Vegetables);
- Shipping and handling (Packaged Fresh Vegetables);
- Product development and contract manufacturing arrangements (Biomaterials).

The Company's assessment efforts have included reviewing current accounting policies, processes, and systems requirements, as well assigning internal resources and third-party consultants to assist in the process. Based upon the Company's assessment, certain contract manufacturing arrangements within its Biomaterials segment contain termination provisions that, upon final assessment and adoption, may impact the timing of revenue recognition. Additionally, the Company has reviewed historical contracts and other arrangements to identify potential differences that could arise from the adoption of ASU 2014-09. Beyond its core revenue streams, and the items listed above, the Company has also evaluated the impact of ASU 2014-09 on certain ancillary transactions and other arrangements.

As a result of its assessment efforts, the Company does not currently anticipate any material changes to its processes, financial condition, or results of operations upon adoption of ASU 2014-09. The Company continues to assess the impact of ASU 2014-09, along with industry trends and additional interpretive guidance, on its core revenue streams, and as a result of the continued assessment, the Company may modify its plan to adoption accordingly.

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. ASU 2016-02 also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The Company will adopt ASU 2016-02 beginning in the first quarter of fiscal year 2020 on a modified retrospective basis.

The Company is currently in the process of evaluating the impact that ASU 2016-02 will have upon its consolidated financial statements and related disclosures. The Company's assessment efforts to date have included:

- Reviewing the provisions of ASU 2016-02;
- Gathering information to evaluate its lease population and portfolio;
- Evaluating the nature of its real and personal property and other arrangements that may meet the definition of a lease; and
- Systems' readiness evaluations.

As a result of these efforts, the Company currently anticipates that the adoption of ASU 2016-02 will have a significant impact on its long-term assets and liabilities, as, at a minimum, virtually all of its leases designated as operating leases in Note 9 – Commitments and Contingencies, are expected to be reported on the consolidated balance sheets. The pattern of recognition for operating leases within the consolidated statements of comprehensive income is not anticipated to significantly change. This change will have 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.

Income Taxes

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* that permits a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act enacted in December 2017. The standard is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

Hedging

In August 2017, the FASB issued ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities* (ASU 2017-12), which amends the presentation and disclosure requirements and changes how companies assess effectiveness. The amendments are intended to more closely align hedge accounting with companies' risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope and results of hedging programs. ASU 2017-12 is effective for annual periods beginning after December 15, 2018, including interim periods within those periods. Early application is permitted. 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 adoption of ASU 2016-13 is not expected to have a material impact on its consolidated financial statements and related disclosures.

Results of Operations

Fiscal Year Ended May 27, 2018 Compared to Fiscal Year Ended May 28, 2017

Revenues (in thousands):

	Year Ended		
	May 27, 2018	May 28, 2017	Change
Packaged Fresh Vegetables	$ 454,953	$ 408,021	12%
Biomaterials	65,427	59,392	10%
Other	3,847	2,363	63%
Total Revenues	$ 524,227	$ 469,776	12%

Packaged Fresh Vegetables (Apio)

Apio's Packaged Fresh Vegetables revenues consist of revenues generated from the sale of specialty packaged fresh-cut and whole processed vegetable products that are washed and packaged in our proprietary packaging and sold under Apio's Eat Smart and GreenLine brands and various private labels. In addition, Packaged Fresh Vegetables revenues include the revenues generated from the sale of BreatheWay packaging to license partners.

The increase in Apio's Packaged Fresh Vegetables revenues for the fiscal year ended May 27, 2018 compared to the same period last year was primarily due to a 9% increase in unit volume sales with a majority of the increase in revenues coming from increased sales of our salad products which are higher priced products compared to the Company's lower priced core products whose sales increased 4% in fiscal year 2018 compared to last year.

Biomaterials (Lifecore)

Lifecore principally generates revenue through the sale of products containing HA. Lifecore primarily sells products to customers in three medical areas: (1) Ophthalmic, which represented approximately 60% of Lifecore's revenues in fiscal year 2018, (2) Orthopedic, which represented approximately 10% of Lifecore's revenues in fiscal year 2018 and (3) Oncology/other products which represented approximately 30% of Lifecore's revenues in fiscal year 2018.

The increase in Lifecore's revenues for fiscal year 2018 compared to fiscal year 2017 was due to a $6.3 million increase in aseptic sales resulting from higher sales to existing customers and a $3.2 million increase in development revenues primarily due to new arrangements with new customers, partially offset by a $3.5 million decrease in fermentation sales to existing customers.

Other

Other revenues for fiscal year 2018 were from the sale of olive oils and vinegars by *O* and for fiscal year 2017 were primarily from two licensing agreements with corporate partners.

The increase in Other revenues for fiscal year 2018 compared to fiscal year 2017 was due to $3.8 million of revenues from the *O* business that was acquired on March 1, 2017 compared to $2.4 million in revenues in fiscal year 2017 primarily from two license agreements that were completed during fiscal year 2017.

Gross Profit (in thousands):

	Year Ended		
	May 27, 2018	May 28, 2017	Change
Packaged Fresh Vegetables	$ 49,130	$ 51,148	(4%)
Biomaterials	28,568	26,755	7%
Other	640	1,309	(51%)
Total Gross Profit	$ 78,338	$ 79,212	(1%)

General

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 costs related to the sale of products in accordance with GAAP. These costs include the following: 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. The following are the primary reasons for the changes in gross profit for the fiscal year ended May 27, 2018 compared to the same period last year as outlined in the table above.

Packaged Fresh Vegetables (Apio)

The decrease in gross profit for Apio's Packaged Fresh Vegetables business for fiscal year 2018 compared to fiscal year 2017 was primarily due to $7.8 million of incremental produce sourcing costs during fiscal year 2018 resulting from hurricanes and tropical storms and from unseasonably hot weather in California which negatively impacted produce yields and quality. These incremental produce sourcing costs were partially offset by gross profit resulting from increased salad sales. The net of these factors resulted in the gross margin decreasing to 10.8% in fiscal year 2018 compared to 12.5% last fiscal year.

Biomaterials (Lifecore)

Lifecore operates in the medical devices and pharmaceutical industry and has historically realized an overall gross margin percentage of approximately 35-50%.

The increase in Lifecore's gross profit for fiscal year 2018 compared to fiscal year 2017 was due to a 10% increase in revenues partially offset by an unfavorable product mix change in fiscal year 2018 to a higher percentage of revenues coming from lower margin aseptically filled product sales than from higher margin fermentation sales compared to last year. As a result, Lifecore's gross margin decreased to 43.7% in fiscal year 2018 from 45.0% last year.

Other

The decrease in Other gross profit for fiscal year 2018 compared to fiscal year 2017 was due to the $640,000 of gross profit for fiscal year 2018 from *O* (which was acquired on March 1, 2017) being less than the gross profit from two license agreements which were completed during fiscal year 2017.

Operating Expenses (in thousands):

	Year Ended		
	May 27, 2018	May 28, 2017	Change
Research and Development:			
Apio	$ 5,457	$ 1,840	197%
Lifecore	5,360	5,387	(1%)
Other	1,983	2,246	(12%)
Total R&D	$ 12,800	$ 9,473	35%
Selling, General and Administrative:			
Apio	$ 32,584	$ 34,764	(6%)
Lifecore	5,878	5,422	8%
Other	13,489	12,305	10%
Total SG&A	$ 51,951	$ 52,491	(1%)

Research and Development (R&D)

Landec's R&D consisted primarily of product development and commercialization initiatives. R&D efforts at Apio are focused on new product innovation, such as new salad lines and extensions, and 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 efforts are focused on new products and applications for HA-based and non-HA biomaterials. For Other, the R&D efforts are primarily focused on supporting the development and commercialization of new products and new technologies in the Company's new natural food business.

The Company's ability to compete successfully depends heavily upon its ability to ensure a continual and timely flow of innovative and competitive products, services, and technologies to the marketplace. The Company continues to develop new products and to expand the range of its product offerings through R&D.

R&D expenses include expenditures for new product and manufacturing process innovation, or a significant improvement to an existing product or process, which consist of expenses incurred in performing R&D activities, including compensation and benefits for R&D employees, facilities expenses, overhead expenses, cost of laboratory and innovation supplies, third-party formulation expenses, fees paid to contract research organizations and other consultants, stock-based compensation for R&D employees, and other outside expenses.

The increase in R&D expenses for fiscal year 2018 compared to fiscal year 2017 was due to a significant increase in product development activities at Apio driven primarily from the hiring of a VP of Innovation and R&D late in fiscal year 2017 and the subsequent staff hiring in that department, coupled with a significant increase in product development expenses at Apio.

Selling, General and Administrative (SG&A)

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

The decrease in SG&A expenses for fiscal year 2018 compared to fiscal year 2017 was due to a decrease in SG&A at Apio as a result of (1) a decrease in marketing expenses, (2) legal fees incurred during fiscal year 2017 from labor-related lawsuits settled during fiscal year 2017 and (3) severance costs incurred in fiscal year 2017. The decrease at Apio was partially offset by an increase in SG&A expenses in Other resulting from (1) an increase in stock-based compensation from equity grants, (2) new business development activities and (3) a $1.1 million increase in SG&A expenses for *O* which was more than offset by a $1.9 million reduction in the contingent consideration liability associated with the *O* acquisition.

Non-operating income/(expense) (in thousands):

	Year Ended		
	May 27, 2018	May 28, 2017	Change
Dividend Income	$ 1,650	$ 1,650	—
Interest Income	$ 211	$ 16	1219%
Interest Expense, net	$ (1,950)	$ (1,826)	7%
Loss on Debt Refinancing	$ —	$ (1,233)	N/M
Other Income	$ 2,900	$ 900	222%
Income Tax Benefit (Expense)	$ 9,363	$ (4,040)	N/M
Non-controlling Interest Expense	$ (94)	$ (87)	8%

Dividend Income

Dividend income is derived from the dividends accrued on our $22.0 million preferred stock investment in Windset which yields a cash dividend of 7.5% annually. There was no change in dividend income for the fiscal year ended May 27, 2018 compared to the same period last year.

Interest Income

The increase in interest income in fiscal year 2018 compared to fiscal year 2017 was due to the interest income from a note receivable to a third party that bears interest at a rate of 6.0% per annum.

Interest Expense, net

The increase in interest expense during fiscal year 2018 compared to fiscal year 2017 was due to an increase in borrowings under the Company's revolving credit facility at a higher weighted-average borrowing rate.

Loss on Debt Refinancing

The loss on debt refinancing was due to the write-off of unamortized debt issuance costs and early debt extinguishment prepayment penalties upon the Company refinancing its debt in September 2016.

Other Income

The increase in other income for fiscal year 2018 was due to the increase in the fair value of our investment in Windset being higher in fiscal year 2018 than in fiscal year 2017.

Income Tax Expense (Benefit)

As a result of the income tax benefit from the Tax Cuts and Jobs Act of 2017 (the "TCJA"), income taxes for fiscal year 2018 reflected a significant benefit (See Note 8 – Income Taxes, for more detail) as compared to fiscal year 2017 which reflected a tax expense based on pre-tax income.

Non-controlling Interest

The non-controlling interest consists of the limited partners' equity interest in the net income of Apio Cooling, LP. The Company purchased the non-controlling interest in Apio Cooling, LP during the fourth quarter of fiscal year 2018 and dissolved Apio Cooling LP.

The increase in non-controlling interest for fiscal year 2018 compared to the same period last year was not significant.

Fiscal Year Ended May 28, 2017 Compared to Fiscal Year Ended May 29, 2016

Revenues (in thousands):

	Year Ended		
	May 28, 2017	May 29, 2016	Change
Packaged Fresh Vegetables	$ 408,021	$ 423,859	(4%)
Biomaterials	59,392	50,470	18%
Other	2,363	2,589	(9%)
Total Revenues	$ 469,776	$ 476,918	(1%)

Packaged Fresh Vegetables (Apio)

Apio's Packaged Fresh Vegetables revenues consist of revenues generated from the sale of specialty packaged fresh-cut and whole processed vegetable products that are washed and packaged in our proprietary packaging and sold under Apio's Eat Smart and GreenLine brands and various private labels. In addition, Packaged Fresh Vegetables revenues include the revenues generated from Apio Cooling, LP, a vegetable cooling operation, in which Apio is the general partner with a 60% ownership position and from the sale of BreatheWay packaging to license partners.

The decrease in Apio's Packaged Fresh Vegetables revenues for the fiscal year ended May 28, 2017 compared to the fiscal year ended May 29, 2016 was primarily due to a 3% decrease in unit volume sales primarily resulting from the loss of some low margin core packaged vegetable business in retail grocery stores which began in the second half of fiscal year 2016 and from the loss of some club store business for salad kit products as a result of one key customer deciding to move to a multi-supplier sourcing strategy following industry-wide produce shortages in late fiscal 2016.

Biomaterials (Lifecore)

Lifecore principally generates revenue through the sale of products containing HA. Lifecore primarily sells products to customers in three medical areas: (1) Ophthalmic, which represented approximately 65% of Lifecore's revenues in fiscal year 2017, (2) Orthopedic, which represented approximately 15% of Lifecore's revenues in fiscal year 2017 and (3) Other/Non-HA products which represented approximately 20% of Lifecore's revenues in fiscal year 2017.

The increase in Lifecore's revenues for fiscal year 2017 compared to fiscal year 2016 was due to a $8.0 million increase in fermentation sales resulting from higher sales to existing customers and a $4.5 million increase in aseptic filling revenues due to new commercial aseptic business and an increase in sales to existing customers, partially offset by a $3.6 million decrease in development revenues primarily due to the approval of a customer's drug product that is now being commercially sold.

Other

Other revenues are generated from the licensing agreements with corporate partners and the sale of olive oil and vinegars by *O*.

The decrease in Other revenues for the fiscal year ended May 28, 2017 compared to the same period last year was due to the completion of two licensing agreements in fiscal year 2017 which started at the beginning of fiscal year 2016 partially offset by $773,00 of revenues from *O* since its acquisition on March 1, 2017.

Gross Profit (in thousands):

	Year Ended		
	May 28, 2017	May 29, 2016	Change
Packaged Fresh Vegetables	$ 51,148	$ 40,479	26%
Biomaterials	26,755	24,081	11%
Other	1,309	2,221	(41%)
Total Gross Profit	$ 79,212	$ 66,781	19%

General

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 costs related to the sale of products in accordance with GAAP. These costs include the following: raw materials (including produce, seeds, packaging, syringes and

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fermentation and purification supplies), direct labor, overhead (including indirect labor, depreciation, and facility-related costs) and shipping and shipping-related costs. The following are the primary reasons for the changes in gross profit for the fiscal year ended May 28, 2017 compared to the same period last year as outlined in the table above.

Packaged Fresh Vegetables (Apio)

The increase in gross profit for Apio's Packaged Fresh Vegetables business for fiscal year 2017 compared to fiscal year 2016 was primarily due to the gross profit generated from a favorable mix shift in revenues to a greater percentage of revenues coming from higher margin products resulting primarily from the loss of some low margin business which began in the second half of fiscal year 2016, operational productivity improvement initiatives, and from the fact that during fiscal year 2016, Apio incurred approximately $15.6 million of excess costs from produce shortages. These factors resulted in gross margin increasing to 12.5% in fiscal year 2017 compared to 9.6% last fiscal year.

Biomaterials (Lifecore)

Lifecore operates in the medical devices and pharmaceutical industry and has historically realized an overall gross margin percentage of approximately 35-50%.

The increase in Lifecore's gross profit for fiscal year 2017 compared to fiscal year 2016 was due to the increase in revenues partially offset by a higher percentage of revenue coming from lower margin aseptic filling revenues than from higher margin development revenues compared to last fiscal year.

Other

The decrease in Other revenues for the fiscal year ended May 29, 2017 compared to the fiscal year ended May 29, 2016 was due to the completion of two license agreements in fiscal year 2017 which started at the beginning of fiscal year 2016 partially offset by $177,000 of gross profit from *O* since its acquisition on March 1, 2017.

Operating Expenses (in thousands):

	Year Ended		
	May 28, 2017	May 29, 2016	Change
Research and Development:			
Apio	$ 1,840	$ 987	86%
Lifecore	5,387	4,701	15%
Other	2,246	1,540	46%
Total R&D	$ 9,473	$ 7,228	31%
Selling, General and Administrative:			
Apio	$ 37,344	$ 29,853	25%
Lifecore	5,422	5,303	2%
Other	12,305	11,025	12%
Total SG&A	$ 55,071	$ 46,181	19%

Research and Development (R&D)

The Company's R&D consisted primarily of product development and commercialization initiatives. R&D efforts at Apio are focused on new product development 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 efforts are focused on new products and applications for HA-based and non-HA biomaterials. For Other, the R&D efforts are primarily focused on supporting the development and commercialization of new products and new technologies in our Apio and Lifecore businesses and during fiscal years 2017 and 2016 on R&D collaborations with partners.

The increase in R&D expenses for the fiscal year ended May 28, 2017 compared to the fiscal year ended May 29, 2016 was due to a significant increase in product development activities at both Apio and Lifecore which resulted in the hiring of eight R&D personnel during fiscal year 2017. The increase was also due to supporting development partners for the Company's BreatheWay membrane technology and from the hiring of two new Vice Presidents to develop our new natural foods business and lead the *O* development efforts.

Selling, General and Administrative (S, G&A)

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

The increase in SG&A expenses for fiscal year 2017 compared fiscal year 2016 was due to an increase in expenses at Apio primarily to ramp up product launches, advertising, and promotions of Apio's existing and new salad kit products, additional headcount hired over the past year, and from an increase in Other primarily due to an increase in stock-based compensation from equity grants, from new business development activities and from $400,000 of SG&A expenses incurred by *O* since its acquisition on March 1, 2017.

Non-operating income/(expense) (in thousands):

	Year Ended		
	May 28, 2017	May 29, 2016	Change
Dividend Income	$ 1,650	$ 1,650	0%
Interest Income	$ 16	$ 71	(77%)
Interest Expense, net	$ (1,826)	$ (1,987)	(8%)
Loss on Debt Refinancing	$ (1,233)	$ —	N/M
Other Income	$ 900	$ 1,200	(25%)
Income Tax Expense (Benefit)	$ (4,040)	$ 7,704	N/M
Non-controlling Interest	$ (87)	$ (193)	(55%)

Dividend Income

Dividend income is derived from the dividends accrued on our $22.0 million preferred stock investment in Windset which yields a cash dividend of 7.5% annually. There was no change in dividend income for the fiscal year ended May 28, 2017 compared to the same period last year.

Interest Income

The decrease in interest income in fiscal year 2017 compared to fiscal year 2016 was not significant.

Interest Expense, net

The decrease in interest expense during fiscal year 2017 compared to fiscal year 2016 was due to the Company paying down its long-term debt and refinancing its debt at a lower interest rate.

Loss on Debt Refinancing

The loss on debt refinancing for the fiscal year 2017 was due to the write-off of unamortized debt issuance costs and early debt extinguishment prepayment penalties upon the Company refinancing its debt in September 2016.

Other Income

The decrease in other income for fiscal year 2017 was due to the increase in the fair value of our investment in Windset being lower in fiscal year 2017 than in fiscal year 2016.

Income Tax Expense (Benefit)

The increase in the income tax expense during fiscal year 2017 compared to fiscal year 2016 was due to the Company generating net income during fiscal year 2017 compared to realizing a loss during fiscal year 2016.

Non-controlling Interest

The non-controlling interest consists of the limited partners' equity interest in the net income of Apio Cooling, LP.

The decrease in non-controlling interest for fiscal year 2017 compared to the same period last year was not significant.

Liquidity and Capital Resources

As of May 27, 2018, the Company had cash and cash equivalents of $2.9 million, a net decrease of $3.1 million from $6.0 million at May 28, 2017.

Cash Flows from Operating Activities

The Company generated $19.8 million of cash from operating activities during fiscal year 2018 compared to generating $29.7 million of cash from operating activities during fiscal year 2017. The primary sources of cash from operating activities during fiscal year 2018 were from (1) $24.9 million of net income and (2) $16.8 million of depreciation/amortization and stock-based compensation expenses. These sources of cash from operating activities were partially offset by (1) a $7.2 million net decrease in deferred tax liabilities primarily due to TCJA, (2) a $2.9 million increase the fair market value of the Company's investment in Windset, (3) a $1.9 million decrease in the Company's contingent liability from the *O* acquisition and (4) a $10.1 million net increase in working capital.

The primary factors which increased working capital during fiscal year 2018 were (1) a $7.3 million increase in accounts receivable due primarily to sales in May 2018 being $7.7 million higher than May 2017 and (2) a $6.5 million increase in inventory due primarily to a $4.8 million increase at Lifecore to meet its increasing demand and a $2.8 million increase at Apio due primarily to the timing of shipments at fiscal year end 2018. The increases in working capital were partially offset by a $5.0 million increase in accounts payable due primarily to a $3.4 million increase at Lifecore from an increase in inventory at fiscal year end 2018 and from a $1.6 million increase at Apio from higher cost of sales in May 2018 compared to May 2017.

Cash Flows from Investing Activities

Net cash used in investing activities for fiscal year 2018 was $35.6 million compared to $25.4 million for the same period last year. The primary uses of cash in investing activities during fiscal year 2018 were for $33.6 million of expenditures for facility expansions and the purchase of equipment primarily to support the growth of the Apio Packaged Fresh Vegetables and Lifecore businesses and from the issuance of a $2.1 million note receivable.

Cash Flows from Financing Activities

Net cash provided by financing activities for fiscal year 2018 was $13.3 million compared to net cash used in financing activities of $8.8 million for the same period last year. The net cash provided by financing activities during fiscal year 2018 was primarily due to $24.0 million of net borrowings under the Company's line of credit. These borrowings were partially offset by (1) $5.1 million of payments on the Company's long-term debt, (2) $4.1 million to purchase the non-controlling interest in Apio Cooling, LP during the fourth quarter of fiscal year 2018 and (3) $1.5 million of taxes paid by the Company on behalf of employees on swaps for option exercises and RSU awards.

Capital Expenditures

During fiscal year 2018, Landec incurred expenditures for facility expansions and purchased equipment to support the growth of the Apio Packaged Fresh Vegetables and Lifecore businesses. These expenditures represented the majority of the $33.6 million of capital expenditures.

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 million revolving line of credit (the "Revolver") and a $50 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.

Both the Revolver and the Term Loan mature in five years (on September 23, 2021), with the Term Loan providing for quarterly principal payments of $1.25 million commencing December 1, 2016, with the remainder due at maturity.

Interest on both the Revolver and the Term Loan is based on either the prime rate or Eurodollar rate, at the Company's discretion, plus a spread based on the Company's leverage ratio (generally defined as the ratio of the Company's total indebtedness on such date to the Company's consolidated earnings before interest, taxes, depreciation, and amortization

("EBITDA") for the period of four consecutive fiscal quarters ended on or most recently prior to such date). The spread is at a per annum rate of (i) between 0.25% and 1.25% if the prime rate is elected or (ii) between 1.25% and 2.25% if the Eurodollar rate is elected.

The Credit Agreement provides the Company with 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 $75 million.

The Credit Agreement contains customary financial covenants and events of default under which the payment obligation could be accelerated and/or the interest rate increased. The Company was in compliance with all financial covenants as of May 27, 2018.

On November 1, 2016, the Company entered into an interest rate swap agreement ("Swap") with BMO at a notional amount of $50 million. The 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%. As of May 27, 2018, the interest rate on the Term Loan was 3.22%. For further discussion regarding the Company's use of derivative instruments, see the Financial Instruments section of Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies.

In connection with the Credit Agreement, the Company incurred lender and third-party debt issuance costs of $897,000, of which $598,000 and $299,000 were allocated to the Revolver and Term Loan, respectively. The Company recorded its revolving debt issuance costs as an asset, and as such, $120,000 and $478,000 were recorded as prepaid expenses and other current assets and other assets, respectively. The Company records its Term Loan debt issuance costs as a contra-liability, and as such, $60,000 and $239,000 were recorded as current portion of long-term debt and long-term debt, respectively.

Concurrent with the close of the Credit Agreement, all of the proceeds of the Term Loan, and $1.5 million of the Revolver, were used by the Company to repay all then existing debt. Accordingly, during fiscal year 2017 the Company recognized a loss on debt refinancing of $1.2 million, which included $233,000 of payments for early debt extinguishment penalties and $1.0 million from the write-off of unamortized debt issuance costs on the Company's then existing debt as of September 23, 2016.

As of May 27, 2018, $27.0 million was outstanding on the Revolver. As of May 27, 2018, the interest rate on the Revolver was 3.91% for the $23.0 million under the Libor option, and 5.75% for the $4.0 million under the Alternative Base Rate (Prime) option.

Contractual Obligations

The Company's material contractual obligations for the next five years and thereafter as of May 27, 2018, are as follows (in thousands):

	Due in Fiscal Year Ended May						
Obligation	Total	2019	2020	2021	2022	2023	Thereafter
Debt principal payments	$ 42,500	$ 5,000	$ 5,000	$ 5,000	$ 27,500	$ —	$ —
Interest payments	4,763	1,635	1,451	1,248	429	—	—
Capital leases	5,394	473	484	487	460	3,490	—
Operating leases	21,036	3,737	2,894	2,258	1,839	1,719	8,589
Purchase commitments	30,738	24,439	1,500	2,100	2,699	—	—
Total	$ 104,431	$ 35,284	$ 11,329	$ 11,093	$ 32,927	$ 5,209	$ 8,589

The interest payment amounts above include the interest on the Term Loan and the interest on the Company's capital leases. See Note 7 – Debt for further information on the Company's loans.

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 other than the operating lease commitments.

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 will be sufficient to finance its operational and capital requirements for at least the next twelve months.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

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 27, 2018, our management evaluated, with participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that because of the material weakness in internal control over financial reporting as described below, our disclosure controls and procedures, in their entirety, were not effective.

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit 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.

In light of the material weakness described below, we performed additional analysis and other post-closing procedures to ensure our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Accordingly, our management, including our Chief Executive and Chief Financial Officers, have concluded that the consolidated financial statements included in this Form 10-K present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

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). Accordingly, and due to its inherent limitation, internal control over financial reporting cannot be expected to 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.

Our management assessed the effectiveness of our internal control over financial reporting as of May 27, 2018. 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, as of May 27, 2018, due to the material weakness described below, our internal control over financial reporting, in its entirety, was not effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

During the fourth quarter 2018, the Company identified errors in its current and previously filed statements of cash flows related to improperly including accrued capital expenditures in its cash outflows used in investing activities. The errors arose as a result of a deficiency in the operation of the Company's cash flow reconciliation control. Specifically, the Company had developed an accounting policy for the treatment of accrued capital expenditures that resulted in a deviation from GAAP and failed to execute its control to monitor the significance of such deviations. As a result, while the impact of the errors was immaterial to previously filed annual financial statements, the Company concluded that the errors were material to its quarterly Consolidated Statements of Cash Flows for fiscal years 2018 and 2017 and has restated those cash flows as reflected in the footnotes to the fiscal year 2018 financial statements.

Our independent registered public accounting firm, Ernst & Young LLP, has issued an audit report on our internal control over financial reporting, which appears on page 36.

Plan to Remediate Material Weakness

Management, along with the Board of Directors, is fully committed to maintaining a robust internal control environment. The Company has taken and will continue to take significant and comprehensive actions to remediate the material weakness in internal control over financial reporting. Management has taken the initial steps to implement the following changes:

- Obtain detailed accrued capital expenditures from each subsidiary on no less than a quarterly basis.
- Develop internal control procedures to evaluate the proper accounting treatment and presentation of accrued capital expenditures in the Company's statements of cash flows. Specifically, the control will involve the review of the detail and performance of additional procedures to ensure the detail is complete and accurate. As a result, the preparation of the consolidated statements of cash flow will (1) exclude the amount of accrued capital expenditures for each period presented, and (2) include disclosure of noncash investing activity in the statements of cash flows by disclosing total accrued capital expenditures at each period end.

Management believes the steps outlined above, when fully implemented, will remediate the material weakness described above. The Audit Committee of the Board of Directors and management will continue to monitor the implementation of these remedial measures and the effectiveness of our internal controls and procedures on an ongoing basis.

As management continues to evaluate and work to improve our disclosure controls and procedures and internal control over financial reporting, we may determine to take additional steps to address these deficiencies or determine to modify certain of the remediation measures described above.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal controls over financial reporting during the fiscal year ended May 27, 2018 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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 27, 2018, 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, because of the effect of the material weakness described below on the achievement of the objectives of the control criteria, Landec Corporation and subsidiaries (the Company) has not maintained effective internal control over financial reporting as of May 27, 2018, based on the COSO criteria.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. The Company did not maintain effective controls over the monitoring of the material compliance with U.S. generally accepted accounting principles relating to its accounting policy governing the classification of accrued capital additions in its statements of cash flows.

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 27, 2018 and May 28, 2017, and the related consolidated statements income (loss), comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended May 27, 2018, and the related notes. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2018 consolidated financial statements, and this report does not affect our report dated August 9, 2018, which 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 9, 2018

Item 9B. ***Other Information***

None

Financials

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 which the Registrant will file with the Commission no later than September 24, 2018 (120 days after the Registrant's fiscal year end covered by this Report) 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 which the Registrant will file with the Commission no later than September 24, 2018 (120 days after the Registrant's fiscal year end covered by this Report) 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 which the Registrant will file with the Commission no later than September 24, 2018 (120 days after the Registrant's fiscal year end covered by this Report) 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 which the Registrant will file with the Commission no later than September 24, 2018 (120 days after the Registrant's fiscal year end covered by this Report) 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 which the Registrant will file with the Commission no later than September 24, 2018 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) 1. Consolidated Financial Statements of Landec Corporation

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.

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 27, 2018 and May 28, 2017, and the related consolidated statements income (loss), comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended May 27, 2018, 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 27, 2018 and May 28, 2017, and the results of its operations and its cash flows for each of the three years in the period ended May 27, 2018, 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 27, 2018, 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 9, 2018 expressed an adverse opinion thereon.

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 9, 2018

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

	May 27, 2018	May 28, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,899	$ 5,998
Accounts receivable, less allowance for doubtful accounts	53,877	45,899
Inventories	31,819	23,620
Prepaid expenses and other current assets	7,958	3,498
Other current assets, discontinued operations	510	2,265
Total Current Assets	97,063	81,280
Investment in non-public company, fair value	66,500	63,600
Property and equipment, net	159,624	133,220
Goodwill	54,510	54,510
Trademarks/trade names, net	16,028	16,028
Customer relationships, net	5,814	6,783
Other assets	5,164	2,918
Other assets, discontinued operations	—	269
Total Assets	$ 404,703	$ 358,608
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 34,668	$ 24,527
Accrued compensation	9,978	7,506
Other accrued liabilities	8,706	9,045
Deferred revenue	2,625	310
Line of credit	27,000	3,000
Current portion of long-term debt, net	4,940	4,940
Other current liabilities, discontinued operations	458	2,126
Total Current Liabilities	88,375	51,454
Long-term debt, net	37,360	42,299
Capital lease obligation, less current portion	3,641	3,731
Deferred taxes, net	17,485	24,581
Other non-current liabilities	5,280	8,391
Total Liabilities	152,141	130,456
Stockholders' Equity:		
Common stock, $0.001 par value; 50,000,000 shares authorized; 27,702 and 27,499 shares issued and outstanding at May 27, 2018 and May 28, 2017, respectively	28	27
Additional paid-in capital	142,087	141,680
Retained earnings	109,299	84,470
Accumulated other comprehensive income	1,148	432
Total Stockholders' Equity	252,562	226,609
Non-controlling interest	—	1,543
Total Equity	252,562	228,152
Total Liabilities and Stockholders' Equity	$ 404,703	$ 358,608

See accompanying notes to the consolidated financial statements.

Financials

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

	Year Ended		
	May 27, 2018	May 28, 2017	May 29, 2016
Product sales	$ 524,227	$ 469,776	$ 476,918
Cost of product sales	445,889	390,564	410,137
Gross profit	78,338	79,212	66,781
Operating costs and expenses:			
Research and development	12,800	9,473	7,228
Selling, general and administrative	51,951	52,491	46,181
Legal settlement charge	—	2,580	—
Impairment of GreenLine trade name	—	—	34,000
Total operating costs and expenses	64,751	64,544	87,409
Operating income (loss)	13,587	14,668	(20,628)
Dividend income	1,650	1,650	1,650
Interest income	211	16	71
Interest expense, net	(1,950)	(1,826)	(1,987)
Loss on debt refinancing	—	(1,233)	—
Other income	2,900	900	1,200
Net income (loss) from continuing operations before taxes	16,398	14,175	(19,694)
Income tax benefit (expense)	9,363	(4,040)	7,704
Net income (loss) from continuing operations	25,761	10,135	(11,990)
Discontinued operations:			
(Loss) income from discontinued operations	(1,188)	837	842
Income tax benefit (expense)	350	(295)	(300)
(Loss) income from discontinued operations, net of tax	(838)	542	542
Consolidated net income (loss)	24,923	10,677	(11,448)
Non-controlling interest expense	(94)	(87)	(193)
Net income (loss) applicable to common stockholders	$ 24,829	$ 10,590	$ (11,641)
Basic net income (loss) per share:			
Income (loss) from continuing operations	$ 0.93	$ 0.37	$ (0.45)
(Loss) income from discontinued operations	(0.03)	0.02	0.02
Total basic net income (loss) per share	$ 0.90	$ 0.39	$ (0.43)
Diluted net income (loss) per share:			
Income (loss) from continuing operations	$ 0.92	$ 0.36	$ (0.45)
(Loss) income from discontinued operations	(0.03)	0.02	0.02
Total diluted net income (loss) per share	$ 0.89	$ 0.38	$ (0.43)
Shares used in per share computation:			
Basic	27,535	27,276	27,044
Diluted	27,915	27,652	27,044

See accompanying notes to the consolidated financial statements.

Financials

LANDEC CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share amounts)

	Year Ended		
	May 27, 2018	May 28, 2017	May 29, 2016
Net income (loss) applicable to common stockholders	$ 24,829	$ 10,590	$ (11,641)
Other comprehensive income, net of tax:			
Change in net unrealized gains on interest rate swap (net of tax effect of $123, $254, and $0)	$ 716	$ 432	$ —
Other comprehensive income, net of tax	716	432	—
Total comprehensive income (loss)	$ 25,545	$ 11,022	$ (11,641)

See accompanying notes to the consolidated financial statements.

Financials

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

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Non-controlling Interest
Balance at May 31, 2015	26,990	$ 27	$ 133,307	$ 85,098	$ —	$ 218,432	$ 1,677
Issuance of common stock at $5.63 to $9.01 per share, net of taxes paid by Landec on behalf of employees	125	—	322	—	—	322	—
Issuance of common stock for vested restricted stock units ("RSUs")	33	—	—	—	—	—	—
Stock-based compensation	—	—	3,465	—	—	3,465	—
Tax benefit from stock-based compensation expense	—	—	150	—	—	150	—
Payments to non-controlling interest ("NCI")	—	—	—	—	—	—	(248)
Net and comprehensive loss	—	—	—	(11,641)	—	(11,641)	193
Balance at May 29, 2016	27,148	27	137,244	73,457	—	210,728	1,622
Cumulative-effect adjustment - ASU 2016-09 adoption	—	—	200	423	—	623	—
Issuance of common stock at $5.63 to $11.36 per share, net of taxes paid by Landec on behalf of employees	244	—	706	—	—	706	—
Issuance of common stock for vested RSUs	107	—	—	—	—	—	—
Taxes paid by Company for stock swaps and RSUs	—	—	(434)	—	—	(434)	—
Stock-based compensation	—	—	3,964	—	—	3,964	—
Payments to NCI	—	—	—	—	—	—	(166)
Net income	—	—	—	10,590	—	10,590	87
Other comprehensive income, net of tax	—	—	—	—	432	432	—
Balance at May 28, 2017	27,499	27	141,680	84,470	432	226,609	1,543
Issuance of common stock at $5.77 to $11.36 per share, net of taxes paid by Landec on behalf of employees	17	1	55	—	—	56	—
Issuance of common stock for vested RSUs	186	—	—	—	—	—	—
Taxes paid by Company for stock swaps and RSUs	—	—	(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	$ —

See accompanying notes to the consolidated financial statements.

LANDEC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended		
	May 27, 2018	May 28, 2017	May 29, 2016
Cash flows from operating activities:			
Consolidated net income (loss)	$ 24,923	$ 10,677	$ (11,448)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	12,412	10,677	9,395
Stock-based compensation expense	4,403	3,964	3,465
Loss on early debt extinguishment	—	1,233	—
Deferred taxes	(7,221)	2,506	(9,787)
Change in investment in non-public company, fair value	(2,900)	(900)	(1,200)
Net loss on disposal of property and equipment	157	586	46
Impairment of GreenLine trade name	—	—	34,000
Change in contingent consideration liability	(1,900)	—	—
Changes in assets and liabilities:			
Accounts receivable, net	(7,312)	(336)	73
Inventories	(6,529)	855	(508)
Prepaid expenses and other current assets	(3,987)	1,039	965
Accounts payable	4,965	(4,778)	(5,277)
Accrued compensation	1,981	2,751	(1,282)
Other accrued liabilities	(1,383)	2,086	2,556
Restricted cash collateral	—	(100)	(225)
Deferred revenue	2,170	(522)	(11)
Net cash provided by operating activities	19,779	29,738	20,762
Cash flows from investing activities:			
Purchases of property and equipment	(33,590)	(23,003)	(39,695)
Acquisition of *O* (Note 2)	—	(2,500)	—
Deposit on capital lease	—	—	(850)
Proceeds from sales of fixed assets	100	81	127
Issuance of pacific harvest note receivable	(2,099)	—	—
Net cash used in investing activities	(35,589)	(25,422)	(40,418)
Cash flows from financing activities:			
Proceeds from sale of common stock	56	706	322
Taxes paid by Company for stock swaps and RSUs	(1,478)	(434)	—
Net change in other assets/liabilities	—	(41)	(247)
Proceeds from long term debt	—	50,000	26,748
Payments on long term debt	(5,076)	(57,236)	(14,652)
Proceeds from lines of credit	33,000	4,500	26,100
Payments on lines of credit	(9,000)	(5,000)	(22,600)
Payments for debt issuance costs	—	(897)	—
Payments for early debt extinguishment penalties	—	(233)	—
Purchase of non-controlling interests	(4,095)	—	—
Payments to non-controlling interest	(115)	(166)	(248)
Net cash provided by (used in) financing activities	13,292	(8,801)	15,423
Net decrease in cash and cash equivalents	(2,518)	(4,485)	(4,233)
Cash and cash equivalents at beginning of year	5,409	9,894	14,127
Cash and cash equivalents at end of year	$ 2,891	$ 5,409	$ 9,894
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest	$ 2,292	$ 2,332	$ 2,017
Cash paid during the period for income taxes, net of refunds received	$ 283	$ 2,792	$ 2,625
Supplemental disclosure of non-cash investing and financing activities:			
Facility and equipment acquired under a capital lease	$ —	$ —	$ 3,908
Purchases of property and equipment on trade vendor credit	$ 8,445	$ 4,380	$ 4,791

See accompanying notes to the consolidated financial statements.

Financials

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 health and wellness products for food and biomaterials markets, and license technology applications to partners. The Company has two proprietary polymer technology platforms: 1) Intelimer® polymers, and 2) hyaluronan ("HA") biopolymers. The Company sells specialty packaged branded Eat Smart® and GreenLine® and private label fresh-cut vegetables and whole produce to retailers, club stores, and foodservice operators, primarily in the United States, Canada, and Asia through its Apio, Inc. ("Apio") subsidiary, and sells HA-based and non-HA biomaterials through its Lifecore Biomedical, Inc. ("Lifecore") subsidiary. The Company's HA biopolymers and non-HA materials are proprietary in that they are specially formulated for specific customers to meet strict regulatory requirements. The Company also sells specialty olive oils and wine vinegars in the natural food, conventional grocery and mass retail stores primarily in the United States and Canada through its O Olive and Vinegar® brand. The Company's technologies, along with its customer relationships and trade names, are the foundation, and a key differentiating advantage upon which Landec has built its business.

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, Apio and Lifecore. All material inter-company transactions and balances have been eliminated.

In May 2018, the Company discontinued the Food Export business segment. As a result, the Food Export business segment was reclassified as a discontinued operation under the provisions of Accounting Standards Codification ("ASC") 205-20, *Presentation of Financial Statements - Discontinued Operations* ("ASC 205-20") and ASC 360, *Property, Plant and Equipment* ("ASC 360"). See – Note 13, Discontinued Operations, for further information.

During the fiscal fourth quarter of 2018, the Company purchased the remaining 40% non-controlling interest of its subsidiary, Apio Cooling, LP ("Apio Cooling") and dissolved Apio Cooling. The increase in the Company's ownership interest in Apio Cooling was accounted for as an equity transaction in accordance with ASC Topic 810-10-45-23.

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.

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 assets including intangible 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, marketable securities, 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 27, 2018, sales to the Company's top five customers accounted for approximately 49% of total revenue with the top two customers from the Packaged Fresh Vegetables segment, Costco Corporation ("Costco") and Wal-mart, Inc. ("Wal-mart") accounting for approximately 19% and 18%, respectively, of total revenues. In addition, approximately 20% of the Company's total revenues were derived from product sales to international customers, none of which individually accounted for more than 5% of total revenues. As of May 27, 2018, the top two customers, Costco and Wal-mart represented approximately 13% and 18%, respectively, of total accounts receivable.

During the fiscal year ended May 28, 2017, sales to the Company's top five customers accounted for approximately 48% of total revenue with the top two customers from the Packaged Fresh Vegetables segment, Costco Corporation ("Costco") and Wal-mart, Inc. ("Wal-mart") accounting for approximately 20% and 16%, respectively, of total revenues. In addition, approximately 21% of the Company's total revenues were derived from product sales to international customers, none of which individually accounted for more than 5% of total revenues. As of May 28, 2017, the top two customers, Costco and Wal-mart represented approximately 13% and 18%, respectively, of total accounts receivable.

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 entered into an interest rate swap agreement to manage interest rate risk. This derivative instrument may offset a portion of the changes in interest expense. The Company designates this derivative instrument as a cash flow hedge. The Company accounts for its derivative instrument as either an asset or a liability and carries it 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.

For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of Accumulated Other Comprehensive Income ("AOCI") in Stockholders' Equity and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized in earnings in the current period. 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 income and Other Comprehensive 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 income. The Company's OCI consists of net deferred gains and losses on its interest rate swap derivative instrument accounted for as a cash flow hedge. The components of AOCI, net of tax, are as follows (in thousands):

	Unrealized Gains on Cash Flow Hedge
Balance as of May 28, 2017	$ 432
Other comprehensive income before reclassifications, net of tax effect	716
Amounts reclassified from OCI	—
Other comprehensive income, net	716
Balance as of May 27, 2018	$ 1,148

The Company does not expect any transactions or other events to occur that would result in the reclassification of any significant gains 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 27, 2018 and May 28, 2017.

Financials

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 charged to revenue and expenses	Write offs, net of recoveries	Balance at end of period
Year Ended May 29, 2016	$ 343	$ 63	$ (110)	$ 296
Year Ended May 28, 2017	$ 296	$ 519	$ (454)	$ 361
Year Ended May 27, 2018	$ 361	$ 46	$ (105)	$ 302

Revenue Recognition

Revenue from product sales is recognized when there is persuasive evidence that an arrangement exists, title has transferred, the price is fixed and determinable, and collectability is reasonably assured. Allowances are established for estimated uncollectible amounts, product returns, and discounts based on specific identification and historical losses.

Apio's Packaged Fresh Vegetables revenues generally consist of revenues generated from the sale of specialty packaged fresh-cut and whole value-added vegetable products that are generally washed and packaged in Apio's proprietary packaging and sold under Apio's Eat Smart and GreenLine brands and various private labels. Revenue is generally recognized upon shipment of these products to customers. The Company takes title to all produce it trades and/or packages, and therefore, records revenues and cost of sales at gross amounts in the Consolidated Statements of Income (Loss).

Packaged Fresh Vegetables revenues also include the revenues generated from Apio Cooling, LP, a vegetable cooling operation in which Apio was the general partner with a 60% ownership position. On April 26, 2018, the Company purchased the 40% non-controlling interest of the limited partners, thus dissolving Apio Cooling, LP. See the non-controlling interest discussion further in this note for more details. Additionally, Packaged Fresh Vegetables revenues consist of revenues from the sale of BreatheWay® packaging to license partners. Revenue is recognized on the vegetable cooling operations as cooling and storage services are provided to Apio's customers. Sales of BreatheWay packaging are recognized when shipped to Apio's customers.

Apio's Food Export revenues consist of revenues generated from the purchase and sale of primarily whole commodity fruit and vegetable products to Asia through its subsidiary, Cal-Ex Trading Company ("Cal-Ex"). As most Cal-Ex customers are in countries outside of the U.S., title transfers and revenue is generally recognized upon arrival of the shipment in the foreign port. Apio records revenue equal to the sale price to third parties because it takes title to the product while in transit. The Company discontinued its Food Export business segment. As a result, the Company met the requirements of ASC 205-20 and ASC 360 to report the results of the Food Export business segment as discontinued operations. The operating results for the Food Export business segment, in all periods presented, have been reclassified to discontinued operations and are no longer reported as a separate segment.

Lifecore's Biomaterials business principally generates revenue through the sale of products containing HA. Lifecore primarily sells products to customers in three medical areas: (1) Ophthalmic, which represented approximately 60% of Lifecore's revenues in fiscal year 2018, (2) Orthopedic, which represented approximately 10% of Lifecore's revenues in fiscal year 2018, and (3) Other/Non-HA products, which represented approximately 30% of Lifecore's revenues in fiscal year 2018. The vast majority of Lifecore's revenues are recognized upon shipment.

Lifecore's business development revenues, a portion of which are included in all three medical areas, are related to contract research and development ("R&D") services and multiple element arrangement services with customers where the Company provides products and/or services in a bundled arrangement.

Contract R&D revenue is recorded as earned, based on the performance requirements of the contract. Non-refundable contract fees for which no further performance obligations exist, and there is no continuing involvement by the Company, are recognized on the earlier of when the payment is received or collection is assured.

For sales arrangements that contain multiple elements, the Company splits the arrangement into separate units of accounting if the individually delivered elements have value to the customer on a standalone basis. The Company also evaluates whether multiple transactions with the same customer or related party should be considered part of a multiple element arrangement, whereby the Company assesses, among other factors, whether the contracts or agreements are negotiated or executed within a short time frame of each other or if there are indicators that the contracts are negotiated in contemplation of each other. The Company then allocates revenue to each element based on a selling price hierarchy. The relative selling price for a deliverable is based on its vendor-specific objective evidence ("VSOE"), if available, third-party evidence ("TPE"), if VSOE is not available, or estimated selling price, if neither VSOE nor TPE is available. The Company then recognizes revenue on each deliverable in accordance with its policies for product and service revenue recognition. The Company is not typically able to determine VSOE or TPE, and therefore, uses the estimated selling price to allocate revenue between the elements of an arrangement.

The Company limits the amount of revenue recognition for delivered elements to the amount that is not contingent on the future delivery of products or services or future performance obligations or subject to customer-specific cancellation rights. The Company evaluates each deliverable in an arrangement to determine whether it represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has stand-alone value, and for an arrangement that includes a general right of return relative to the delivered products or services, delivery or performance of the undelivered product or service is considered probable and is substantially controlled by the Company. The Company considers a deliverable to have stand-alone value if the product or service is sold separately by the Company or another vendor or could be resold by the customer. Further, the revenue arrangements generally do not include a general right of return relative to delivered products. Where the aforementioned criteria for a separate unit of accounting are not met, the deliverable is combined with the undelivered element(s) and treated as a single unit of accounting for the purposes of allocation of the arrangement consideration and revenue recognition. The Company allocates the total arrangement consideration to each separable element of an arrangement based upon the relative selling price of each element. Allocation of the consideration is determined at arrangement inception on the basis of each unit's relative selling price. In instances where the Company has not established fair value for any undelivered element, revenue for all elements is deferred until delivery of the final element is completed and all recognition criteria are met.

For licensing revenue, the initial license fees are deferred and amortized to revenue over the period of the agreement when a contract exists, the fee is fixed and determinable, and collectability is reasonably assured. Noncancellable, nonrefundable license fees are recognized over the period of the agreement, including those governing research and development activities and any related supply agreement entered into concurrently with the license when the risk associated with commercialization of a product is non-substantive at the outset of the arrangement.

From time to time, the Company offers customers sales incentives, which include volume rebates and discounts. These amounts are estimated on a quarterly basis and recorded as a reduction of revenue.

A summary of revenues by type of arrangement as described above is as follows (in thousands):

	Year Ended		
	May 27, 2018	May 28, 2017	May 29, 2016
Recorded upon delivery	$ 509,096	$ 456,512	$ 458,985
Revenue from multiple element arrangements	12,531	8,431	13,400
Revenue from license fees, R&D contracts and royalties/profit sharing	2,600	4,833	4,533
Total	$ 524,227	$ 469,776	$ 476,918

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.

Financials

Other Accounting Policies and Disclosures

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 27, 2018	May 28, 2017	May 29, 2016
Cash and cash equivalents	$ 2,899	$ 5,998	$ 9,968
Cash, discontinued operations	(8)	(589)	(74)
Cash and cash equivalents presented on Statements of Cash Flows	$ 2,891	$ 5,409	$ 9,894

Inventories

Inventories are stated at the lower of cost (using the first-in, first-out method) or net realizable value. As of May 27, 2018 and May 28, 2017 inventories consisted of (in thousands):

	Year Ended	
	May 27, 2018	May 28, 2017
Finished goods	$ 12,861	$ 10,015
Raw materials	15,286	10,158
Work in progress	3,672	3,447
Total inventories	$ 31,819	$ 23,620

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 SG&A in the accompanying Consolidated Statements of Income (Loss). Advertising expense for the Company for fiscal years 2018, 2017, and 2016 was $1.4 million, $1.9 million and $2.1 million, respectively.

Notes and Advances Receivable

Apio issues notes and makes advances to produce growers for their crop and harvesting costs primarily for the purpose of sourcing crops for Apio's business. Notes and advances receivable are generally recovered during the growing season (less than one year) using proceeds from the crops sold to Apio. 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 27, 2018 and May 28, 2017 were $2.7 million and $1.0 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 2018, 2017, and 2016, the Company recognized revenues of $556,000, $514,000, and $666,000, respectively. These amounts have been included in product sales in the accompanying Consolidated Statements of Income (Loss), from the sale of products to and license fees from Windset. The related receivable balances of $334,000 and $388,000 from Windset are included in accounts receivable in the accompanying Consolidated Balance Sheets as of May 27, 2018 and May 28, 2017, respectively.

Additionally, unrelated to the revenue transactions above, the Company purchases produce from Windset for sale to third parties. During fiscal years 2018, 2017, and 2016, the Company recognized cost of product sales of $0, $22,000, and $32,000, respectively, in the accompanying Consolidated Statements of Income (Loss), from the sale of products purchased from Windset. The related accounts payable of $0 and $22,000 to Windset are included in accounts payable in the accompanying Consolidated Balance Sheets as of May 27, 2018 and May 28, 2017, 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

Property and equipment 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, generally three to forty years for buildings and leasehold improvements and three to twenty years for furniture and fixtures, computers, capitalized software, capitalized leases, machinery, equipment and vehicles. 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. During fiscal years 2018, 2017, and 2016, the Company capitalized $918,000, $2.2 million, and $174,000 in software development costs, respectively.

Long-Lived Assets

The Company's Long-Lived Assets consist of property, plant and equipment, and intangible assets. Intangible assets are comprised of customer relationships with an estimated useful life of eleven to thirteen years (the "finite-lived intangible assets") and trademarks/trade names and goodwill with indefinite lives (collectively, "the indefinite-lived intangible assets"), which the Company recognized (i) upon the acquisition of *O* in March 2017, (ii) upon the acquisition of GreenLine Holding Company ("GreenLine") by Apio in April 2012, (iii) upon the acquisition of Lifecore in April 2010 and (iv) upon the acquisition of Apio in December 1999. Accounting guidance defines goodwill as "the excess of the cost of an acquired entity over the net of the estimated fair values of the assets acquired and the liabilities assumed at date of acquisition." All intangible assets, including goodwill, associated with the acquisition of *O* was allocated to the Other reporting unit, the acquisition of

Lifecore was allocated to the Biomaterials reporting unit, and the acquisitions of Apio and GreenLine were allocated to the Packaged Fresh Vegetables reporting unit based upon the allocation of assets and liabilities acquired and consideration paid for each reporting unit. As of May 27, 2018, the Other reporting unit had $5.2 million of goodwill, the Biomaterials reporting unit had $13.9 million of goodwill, and the Packaged Fresh Vegetables reporting unit had $35.4 million of goodwill.

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, in accordance with accounting guidance. For all indefinite-lived assets, including goodwill, the Company performs a qualitative analysis in accordance with ASC 350-30-35. 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 years 2018 and 2017, there were no impairments of intangible assets.

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, 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.

In the annual impairment test, the Company assesses qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. In assessing the qualitative factors, management considers the impact of these key factors: 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 management determines as a result of the qualitative assessment that it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, then the quantitative test is required. Otherwise, no further testing is required.

If a quantitative test is required, the Company would compare 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 would expect to earn. Under the market-based approach, information regarding the Company is utilized as well as 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.

As of February 26, 2018, the Company tested its goodwill for impairment and determined that no indication of impairment existed as of that date. As a result, it was not necessary to perform the quantitative goodwill impairment test at that time. Subsequent to the 2018 annual impairment test, there have been no significant events or circumstances affecting the valuation of goodwill that indicate a need for goodwill 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, there were no impairment losses for goodwill during fiscal years 2018, 2017, and 2016.

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 27, 2018 and May 28, 2017. 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 27, 2018. It is reasonably possible that the expense the Company ultimately incurs could differ and adjustments to future reserves may be necessary.

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 Income (Loss), following the consolidated net income (loss) 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 in accordance with ASC Topic 810-10-45-23. 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. At May 27, 2018, the Company had a $1.3 million valuation allowance against its deferred tax assets.

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 effective tax rate. 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 income (loss) per share (in thousands, except per share amounts):

	Year Ended		
	May 27, 2018	May 28, 2017	May 29, 2016
Numerator:			
Net income (loss) applicable to Common Stockholders	$ 24,829	$ 10,590	$ (11,641)
Denominator:			
Weighted average shares for basic net income (loss) per share	27,535	27,276	27,044
Effect of dilutive securities:			
Stock options and restricted stock units	380	376	—
Weighted average shares for diluted net income (loss) per share	27,915	27,652	27,044
Diluted net income (loss) per share	$ 0.89	$ 0.38	$ (0.43)

Options to purchase 1,495,380 and 1,428,272 shares of Common Stock at a weighted average exercise price of $13.80 and $13.58 per share were outstanding during fiscal years ended May 27, 2018 and May 28, 2017, respectively, but were not included in the computation of diluted net income per share because the options' exercise price were greater than the average market price of the Common Stock and, therefore, their inclusion would be antidilutive.

Due to the Company's net loss for fiscal year 2016, the net loss per share includes only weighted average shares outstanding and thus excludes 1.6 million of outstanding options and RSUs as such impacts would be antidilutive for fiscal year 2016.

Cost of Sales

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.

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 following table summarizes the stock-based compensation for options and RSUs (in thousands):

	Year Ended		
	May 27, 2018	May 28, 2017	May 29, 2016
Options	$ 1,488	$ 1,230	$ 1,352
RSUs	2,915	2,734	2,113
Total stock-based compensation	$ 4,403	$ 3,964	$ 3,465

The following table summarizes the stock-based compensation by income statement line item (in thousands):

	Year Ended		
	May 27, 2018	May 28, 2017	May 29, 2016
Cost of sales	$ 535	$ 485	$ 405
Research and development	131	83	90
Selling, general and administrative	3,737	3,396	2,970
Total stock-based compensation	$ 4,403	$ 3,964	$ 3,465

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. 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.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the expected stock price volatility and expected life of option awards, which have a significant impact on the fair value estimates. As of May 27, 2018, May 28, 2017 and May 29, 2016, the fair value of stock option grants was estimated using the following weighted average assumptions:

	Year Ended		
	May 27, 2018	May 28, 2017	May 29, 2016
Expected life (in years)	3.50	3.50	3.38
Risk-free interest rate	1.73%	1.08%	1.09%
Volatility	27%	26%	31%
Dividend yield	0%	0%	0%

The weighted average estimated fair value of Landec employee stock options granted at grant date market prices during the fiscal years ended May 27, 2018, May 28, 2017 and May 29, 2016 was $2.90, $2.37 and $2.85 per share, respectively. No stock options were granted above or below grant date market prices during the fiscal years ended May 27, 2018, May 28, 2017 and May 29, 2016.

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. See Note 3 – Investment in Non-public Company for further information. The Company has not elected the fair value option for any of its other eligible financial assets or liabilities.

The accounting guidance established 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 27, 2018, 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 purchase of *O*.

The fair value of the Company’s interest rate swap 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 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 fair value measurement. The change in the fair value of the Company’s investment in Windset for the twelve months ended May 27, 2018 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:

	At May 27, 2018	At May 28, 2017
Revenue growth rates	6%	4%
Expense growth rates	6%	4%
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 27, 2018
10% increase in revenue growth rates	$ 9,700
10% increase in expense growth rates	$ (9,100)
10% increase in income tax rates	$ (500)
10% increase in discount rates	$ (4,300)

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 fair value of the Company’s contingent consideration liability from its purchase of *O* (see Note 2 – Acquisition of *O* for further information) is determined by utilizing significant unobservable inputs including projected earnings before interest, taxes, depreciation and amortization (“EBITDA”), growth rates and discount rates. As a result, the Company’s contingent consideration liability is categorized as a Level 3 fair value measurement. In determining the fair value of the contingent consideration liability, the Company assumed EBITDA for *O* would be approximately $6.4 million over the 3-year earn-out period and applying a discount rate of 22.4%.

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 27, 2018			Fair Value at May 28, 2017		
Assets (liabilities):	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Interest rate swap (1)	$ —	$ 1,529	$ —	$ —	$ 688	$ —
Investment in non-public company	—	—	66,500	—	—	63,600
Contingent consideration liability (2)	—	—	(4,000)	—	—	(5,900)
Total	$ —	$ 1,529	$ 62,500	$ —	$ 688	$ 57,700

(1) Included in Other assets in the accompanying Consolidated Balance Sheets.
(2) Included in Other non-current liabilities in the accompanying Consolidated Balance Sheets.

Recent Accounting Pronouncements

<u>Recently Adopted Pronouncements</u>

On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete its accounting for certain income tax effects of the TCJA. Pursuant to SAB 118, as of May 27, 2018, the Company had not yet completed its accounting for the tax effects of the enactment of the TCJA. The Company's provision for income taxes for the year ended May 27, 2018 is based in part on its best estimate of the effects of the transition tax and existing deferred tax balances with its understanding of the TCJA and guidance available as of the date of this filing. The Company is still analyzing certain aspects of the TCJA and refining the estimate of the expected reversal of our deferred tax balance. This can potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. The Company adopted the provisions of SAB 118 in the third quarter of 2018.

Recently Issued Pronouncements to be Adopted

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, which creates FASB ASC Topic 606, *Revenue from Contracts with Customers* and supersedes ASC Topic 605, *Revenue Recognition* ("ASU 2014-09"). The guidance replaces industry-specific guidance and establishes a single five-step model to identify and recognize revenue. The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires the entity to disclose further quantitative and qualitative information regarding the nature and amount of revenues arising from contracts with customers, as well as other information about the significant judgments and estimates used in recognizing revenues from contracts with customers. Since its original issuance, the FASB has issued several additional related ASUs to address implementation concerns and to further clarify certain guidance within ASU 2014-09. The Company will adopt these updates beginning with the first quarter of fiscal year 2019 and anticipates doing so using the modified retrospective method, which would require a cumulative effect adjustment of initially applying ASU 2014-09 recognized at the date or initial application.

The Company recently completed its evaluation of the impact of the adoption of ASU 2014-09. As a result, the Company has identified the following core revenue streams from its contracts with customers:

- Finished goods product sales (Packaged Fresh Vegetables);
- Shipping and handling (Packaged Fresh Vegetables);
- Product development and contract manufacturing arrangements (Biomaterials).

The Company's assessment efforts have included reviewing current accounting policies, processes, and systems requirements, as well assigning internal resources and third-party consultants to assist in the process. Based upon the Company's assessment, certain contract manufacturing arrangements within its Biomaterials segment contain termination provisions that, upon final assessment and adoption, may impact the timing of revenue recognition. Additionally, the Company has reviewed historical contracts and other arrangements to identify potential differences that could arise from the adoption of ASU 2014-09. Beyond its core revenue streams, and the items listed above, the Company has also evaluated the impact of ASU 2014-09 on certain ancillary transactions and other arrangements.

As a result of its assessment efforts, the Company does not currently anticipate any material changes to its processes, financial condition, or results of operations upon adoption of ASU 2014-09. The Company continues to assess the impact of ASU 2014-09, along with industry trends and additional interpretive guidance, on its core revenue streams, and as a result of the continued assessment, the Company may modify its plan to adoption accordingly.

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. ASU 2016-02 also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The Company will adopt ASU 2016-02 beginning in the first quarter of fiscal year 2020 on a modified retrospective basis.

The Company is currently in the process of evaluating the impact that ASU 2016-02 will have upon its consolidated financial statements and related disclosures. The Company's assessment efforts to date have included:

- Reviewing the provisions of ASU 2016-02;
- Gathering information to evaluate its lease population and portfolio;
- Evaluating the nature of its real and personal property and other arrangements that may meet the definition of a lease; and
- Systems' readiness evaluations.

As a result of these efforts, the Company currently anticipates that the adoption of ASU 2016-02 will have a significant impact on its long-term assets and liabilities, as, at a minimum, virtually all of its leases designated as operating leases in Note 9 – Commitments and Contingencies, are expected to be reported on the consolidated balance sheets. The pattern of recognition for operating leases within the consolidated statements of comprehensive income is not anticipated to significantly change. This change will have 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.

Income Taxes

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* that permits a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act enacted in December 2017. The standard is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

Hedging

In August 2017, the FASB issued ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities* (ASU 2017-12), which amends the presentation and disclosure requirements and changes how companies assess effectiveness. The amendments are intended to more closely align hedge accounting with companies' risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope and results of hedging programs. ASU 2017-12 is effective for annual periods beginning after December 15, 2018, including interim periods within those periods. Early application is permitted. 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 adoption of ASU 2016-13 is not expected to have a material impact on its consolidated financial statements and related disclosures.

Immaterial Error Correction

As discussed in Note 12 – Quarterly Consolidated Financial Information (unaudited), during the fourth quarter of fiscal year 2018, the Company determined that it had incorrectly included certain accrued capital expenditures as cash flows used in investing activities, and therefore, has restated related quarterly information. The Company determined that the error did not have a material impact on the financial statements for fiscal years 2017 and 2016, but has elected to correct the 2017 and 2016 statements of cash flows in the accompanying consolidated financial statements to reflect the immaterial error correction.

The corrections resulted in an increase (decrease) in cash provided by operating activities and cash used in investing activities within the 2017 and 2016 consolidated statements of cash flows of $411,000, $(411,000), $(1.2) million, and $1.2 million, respectively.

Certain amounts disclosed in the accompanying notes to the financial statements have been revised to reflect the corrections.

2. Acquisition of *O*

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. *O*, founded in 1995, is based in Petaluma, California, and produces 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.

The potential earn out payment up to $7.5 million is based on *O*'s cumulative EBITDA over the Company's fiscal years 2018 through 2020. At the end of each fiscal year, beginning in fiscal year 2018, the former owners of *O* will earn the equivalent of the EBITDA achieved by *O* for that fiscal year up to $4.6 million over the three year period. The former owners can then earn an additional $2.9 million on a dollar for dollar basis for exceeding $6.0 million of cumulative EBITDA over the three year period. During the fourth quarter of fiscal year 2017, the Company performed, with the assistance of a third party appraiser, an analysis of *O*'s projected EBITDA over the next three years. Based on this analysis the Company recorded a $5.9 million liability as of May 28, 2017, representing the present value of the expected earn out payments. During the fourth quarter of fiscal year 2018, the Company performed, with the assistance of a third party appraiser, an analysis of *O*'s projected EBITDA over the next three years. Based on this analysis, and primarily due to *O*'s financial results in fiscal year 2018, which were well below the prior year projections for fiscal year 2018 due primarily to significant delays in completing the construction of *O*'s new vinegar production facility, the Company recorded to SG&A a $1.9 million reduction into the contingent consideration liability, resulting in a liability of $4.0 million at May 27, 2018.

The operating results of *O* are included in the Company's financial statements beginning March 1, 2017, in the Other segment. Included in the Company's results for *O* for the fiscal year 2018 was $3.8 million of revenues and a loss of $960,000.

Intangible Assets

The Company identified two intangible assets in connection with the *O* acquisition: trade names and trademarks valued at $1.6 million, which are considered to be indefinite life assets and therefore, will not be amortized; and customer base valued at $700,000 with an eleven year useful life. The trade name/trademark intangible asset was valued using the relief from royalty valuation method and the customer relationship intangible asset was valued using the excess earnings method.

Goodwill

The excess of the consideration transferred over the fair values assigned to the assets acquired and liabilities assumed was $5.2 million on the closing date, which represents the goodwill amount resulting from the acquisition which can be attributable to *O*'s long history, future prospects and the expected operating synergies with Apio's salad business and distribution and logistics capabilities. The Company will test goodwill for impairment on an annual basis or sooner, if indicators of impairment exist.

Acquisition-Related Transaction Costs

The Company recognized $159,000 of acquisition-related expenses that were expensed in the year ended May 28, 2017 and are included in selling, general and administrative expenses in the Consolidated Statements of Income (Loss) for the year ended May 28, 2017. These expenses included legal, accounting and tax service fees and appraisals fees.

3. Investment in Non-public Company

Windset

On February 15, 2011, Apio entered into a share purchase agreement (the "Windset Purchase Agreement") with Windset. Pursuant to the Windset Purchase Agreement, Apio purchased from Windset 150,000 Senior A preferred shares for $15 million and 201 common shares for $201. On July 15, 2014, Apio 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 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. 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, Apio further increased its investment in Windset by purchasing 70,000 shares of Senior B preferred shares for $7 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 Apio have a put feature whereby Apio can sell back to Windset $1.5 million of shares on the first anniversary, an additional $2.75 million of shares on the second anniversary, and the remaining $2.75 million on the third anniversary. After the third anniversary, Apio may at any time put any or all of the shares not previously sold back to Windset.

The original Shareholders' Agreement between Apio and Windset included a put and call option (the "Put and Call Option"), which could be exercised on or after February 15, 2017 whereby Apio could have exercised the put to sell its common, Senior A preferred shares, and junior preferred shares to Windset, or Windset could have exercised the call to purchase those shares from Apio, 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 million for the Senior A preferred shares and $5.1 million for the junior preferred shares). On March 15, 2017, the Company and Windset amended the Shareholders' Agreement by extending the terms of the original Put and Call Option to March 31, 2022.

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 option requires 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 and Call Option calculation for value and a discounted cash flow model based on projections developed by Windset, 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 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 $1.7 million, $1.7 million and $1.7 million in dividend income for the fiscal years ended May 27, 2018, May 28, 2017 and May 29, 2016, respectively. The increase in the fair market value of the Company's investment in Windset for the fiscal years ended May 27, 2018, May 28, 2017 and May 29, 2016 was $2.9 million, $900,000 and $1.2 million, respectively, and is included in other income in the accompanying Consolidated Statements of Income (Loss).

The Company also entered into an exclusive license agreement with Windset, which was executed in June 2010, prior to contemplation of Apio's investment in Windset.

4. Property and Equipment

Property and equipment consists of the following (in thousands):

	Years of Useful Life	Year Ended May 27, 2018	Year Ended May 28, 2017
Land and buildings	15 - 40	$ 90,712	$ 86,983
Leasehold improvements	3 - 20	2,607	1,190
Computers, capitalized software, machinery, equipment and autos	3 - 20	120,418	97,375
Furniture and fixtures	3 - 7	1,673	1,272
Construction in process		13,100	6,811
Gross property and equipment		228,510	193,631
Less accumulated depreciation and amortization		(68,886)	(60,411)
Net property and equipment		$ 159,624	$ 133,220

Depreciation and amortization expense for property and equipment for the fiscal years ended May 27, 2018, May 28, 2017 and May 29, 2016 was $11.0 million, $9.6 million and $8.2 million, respectively. Amortization related to capitalized leases, which is included in depreciation expense, was $135,000, $135,000, and $49,000 for fiscal years ended May 27, 2018, May 28, 2017 and May 29, 2016, respectively. Amortization related to capitalized software was $632,000, $414,000, and $269,000 for fiscal years ended May 27, 2018, May 28, 2017 and May 29, 2016, respectively. The unamortized computer software costs as of May 27, 2018 and May 28, 2017 was $2.5 million and $2.2 million, respectively. Capitalized interest was $563,000, $514,000, and $487,000 for fiscal years ended May 27, 2018, May 28, 2017 and May 29, 2016, respectively.

5. Intangible Assets

The carrying amount of goodwill as of May 27, 2018, May 28, 2017 and May 29, 2016 was $35.4 million for the Packaged Fresh Vegetables segment, $13.9 million for the Biomaterials segment, and $5.2 million for the Other segment.

Other intangible assets consisted of the following (in thousands):

	Trademarks and Trade names	Customer Relationships	Total
Balance as of May 31, 2015	48,428	7,835	56,263
Impairment during the period	(34,000)	—	(34,000)
Amortization expense	—	(867)	(867)
Balance as of May 29, 2016	14,428	6,968	21,396
Additions during the period	1,600	700	2,300
Amortization expense	—	(885)	(885)
Balance as of May 28, 2017	16,028	6,783	22,811
Amortization expense	—	(969)	(969)
Balance as of May 27, 2018	$ 16,028	$ 5,814	$ 21,842

Accumulated amortization of Trademarks and Trade names was $872,000 as of May 27, 2018 and May 28, 2017. Accumulated amortization of Customer Relationships as of May 27, 2018 and May 28, 2017 was $6.1 million and $5.1 million, respectively. Lifecore's Customer Relationships amount of $3.7 million is being amortized over 12 years, Apio's Customer Relationships amount of $7.5 million is being amortized over 13 years, and *O*'s Customer Relationships amount of $700,000 is being amortized over 11 years. The amortization expense for the next five fiscal years is estimated to be $949,000 per year.

Financials

6. Stockholders' Equity

Holders of Common Stock are entitled to one vote per share.

Convertible Preferred Stock

The Company has authorized two million shares of preferred stock, and as of May 27, 2018 has no outstanding preferred stock.

Common Stock and Stock Option Plans

At May 27, 2018, the Company had 2.9 million common shares reserved for future issuance under Landec equity incentive plans.

On October 10, 2013, following stockholder approval at the Annual Meeting of Stockholders of the Company, the 2013 Stock Incentive Plan (the "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 are eligible to participate in the Plan.

On October 19, 2017, 1.0 million shares were added to the Plan following stockholder approval at the 2017 Annual Meeting of Stockholders.

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; (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 addition, awards to non-employee directors are discretionary.

However, a non-employee director may not be granted awards in excess of 30,000 Shares in the aggregate 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 27, 2018, 2,070,705 options to purchase shares and restricted stock units (“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 and as of May 27, 2018, 292,667 options to purchase shares and RSUs were outstanding.

Stock-Based Compensation Activity

Activity under all Landec equity incentive plans is as follows:

		Restricted Stock Outstanding		Stock Options Outstanding	
	RSUs and Options Available for Grant	Number of Restricted Shares	Weighted Average Grant Date Fair Value	Number of Stock Options	Weighted Average Exercise Price
Balance at May 31, 2015	881,143	392,771	$ 14.15	1,736,718	$ 11.19
Granted	(443,175)	177,675	$ 12.10	265,500	$ 12.04
Awarded/Exercised	—	(32,439)	$ 13.28	(220,717)	$ 6.44
Forfeited	28,000	(11,166)	$ 14.36	(24,473)	$ 14.38
Plan shares expired	—	—	—	(25,554)	$ 9.86
Balance at May 29, 2016	465,968	526,841	$ 13.51	1,731,474	$ 11.90
Granted	(370,522)	130,522	$ 13.37	240,000	$ 11.58
Awarded/Exercised	—	(130,508)	$ 13.42	(357,639)	$ 5.93
Forfeited	59,793	(17,500)	$ 12.46	(42,293)	$ 12.16
Plan shares expired	—	—	—	—	$ —
Balance at May 28, 2017	155,239	509,355	$ 13.53	1,571,542	$ 13.20
Additional shares reserved	1,000,000	—	—	—	—
Granted	(698,288)	200,288	$ 13.12	498,000	$ 12.93
Awarded/Exercised	—	(270,656)	$ 14.06	(29,333)	$ 7.36
Forfeited	85,324	(30,950)	$ 11.75	(23,334)	$ 12.55
Plan shares expired	—	—		(61,540)	$ 14.23
Balance at May 27, 2018	542,275	408,037	$ 12.99	1,955,335	$ 13.20

Upon vesting of certain RSUs and the exercise of certain options during fiscal years 2018, 2017 and 2016, certain RSUs and exercised options were net share-settled to cover the required exercise price and withholding tax and the remaining amounts were converted into an equivalent number of shares of Common Stock. The Company withheld shares with value equivalent to the exercise price for options and the employees' minimum statutory obligation for the applicable income and other employment taxes, and remitted the cash to the appropriate taxing authorities. The total shares withheld for fiscal years 2018, 2017 and 2016 were 121,652, 137,089 and 95,550 RSUs and options, respectively, which was based on the value of the option and/or RSUs on their exercise or vesting date as determined by the Company's closing stock price.

Total payments for employees' tax obligations to the taxing authorities during fiscal years 2018, 2017 and 2016 were approximately $1.5 million, $434,000 and zero, respectively. These net-share settlements had the effect of share repurchases by the Company as they reduced and retired the number of shares that would have otherwise have been issued as a result of the vesting and did not represent an expense to the Company.

The following table summarizes information concerning stock options outstanding and exercisable at May 27, 2018:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	Number of Shares Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number of Shares Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic Value
$6.66 - $14.39	1,955,335	4.33	$ 13.20	$1,937,832	1,383,732	$ 13.43	$1,122,822

At May 27, 2018 and May 28, 2017 options to purchase 1,383,732 and 1,021,097 shares of Landec's Common Stock were vested, respectively, and 571,603 and 550,445 were unvested, respectively. No options have been exercised prior to being vested. The aggregate intrinsic value in the table above represents the total pretax intrinsic value, based on the Company's closing stock price of $14.05 on May 27, 2018, which would have been received by holders of stock options had all holders of stock options exercised their stock options that were in-the-money as of that date. The total number of in-the-money stock options exercisable as of May 27, 2018, was 548,692 shares. The aggregate intrinsic value of stock options exercised during the fiscal year 2018 was $178,000.

Option Awards

	Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (in years)	Aggregate Intrinsic Value
Vested..	1,383,732	$ 13.43	3.65	$ 1,122,822
Expected to vest	571,603	$ 12.63	5.96	815,010
Total..	1,955,335	$ 13.20	4.33	$ 1,937,832

As of May 27, 2018, there was $3.8 million of total unrecognized compensation expense related to unvested equity compensation awards granted under the Landec incentive stock plans. Total expense is expected to be recognized over the weighted-average period of 2.0 years for stock options and 1.9 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 2018, 2017 and 2016, the Company did not purchase any shares on the open market.

7. Debt

Long-term debt consists of the following (in thousands):

	May 27, 2018	May 28, 2017
Term loan with JPMorgan Chase Bank ("JPMorgan"), BMO Harris Bank N,A. ("BMO"), and City National Bank ("CNB"); due in quarterly principal and interest payments of $1,250 beginning December 1, 2016 through September 23, 2021 with the remainder due on maturity, with interest based on the Company's leverage ratio at a per annum rate of the Eurodollar rate plus a spread of between 1.25% and 2.25%	$ 42,500	$ 47,500
Total principal amount of long-term debt	42,500	47,500
Less: unamortized debt issuance costs	(200)	(261)
Total long-term debt, net of unamortized debt issuance costs	42,300	47,239
Less: current portion of long-term debt, net	(4,940)	(4,940)
Long-term debt, net	$ 37,360	$ 42,299

The future minimum principal payments of the Company's debt for each year presented are as follows (in thousands):

	Term Loan
Fiscal year 2019	$ 5,000
Fiscal year 2020	5,000
Fiscal year 2021	5,000
Fiscal year 2022	27,500
Fiscal year 2023	—
Thereafter	—
Total	$ 42,500

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 million revolving line of credit (the "Revolver") and a $50 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.

Both the Revolver and the Term Loan mature in five years (on September 23, 2021), with the Term Loan providing for quarterly principal payments of $1.25 million commencing December 1, 2016, with the remainder due at maturity.

Interest on both the Revolver and the Term Loan is based on either the prime rate or Eurodollar rate, at the Company's discretion, plus a spread based on the Company's leverage ratio (generally defined as the ratio of the Company's total indebtedness on such date to the Company's consolidated earnings before interest, taxes, depreciation, and amortization ("EBITDA") for the period of four consecutive fiscal quarters ended on or most recently prior to such date). The spread is at a per annum rate of (i) between 0.25% and 1.25% if the prime rate is elected or (ii) between 1.25% and 2.25% if the Eurodollar rate is elected.

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 $75 million.

The Credit Agreement contains customary financial covenants and events of default under which the obligation could be accelerated and/or the interest rate increased. The Company was in compliance with all financial covenants as of May 27, 2018.

On November 1, 2016, the Company entered into an interest rate swap agreement ("Swap") with BMO at a notional amount of $50 million. The 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%. As of May 27, 2018, the interest rate on the Term Loan was 3.22%. For further discussion regarding the Company's use of derivative instruments, see the Financial Instruments section of Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies.

In connection with the Credit Agreement, the Company incurred in fiscal year 2017 lender and third-party debt issuance costs of $897,000, of which $598,000 and $299,000 was allocated to the Revolver and Term Loan, respectively. Amortization of loan origination fees for fiscal years 2018, 2017 and 2016 were $181,000, $142,000 and $293,000, respectively.

Concurrent with the close of the Credit Agreement, all of the proceeds of the Term Loan, and $1.5 million of the Revolver, was used by the Company to repay all then existing debt. Accordingly, the Company recognized a loss on debt refinancing of $1.2 million, which included $233,000 of payments for early debt extinguishment penalties and $1.0 million from the write-off of unamortized debt issuance costs on the Company's then existing debt as of September 23, 2016.

As of May 27, 2018, $27.0 million was outstanding on the Revolver. As of May 27, 2018, the interest rate on the Revolver was 3.91% for the $23.0 million under the Libor option, and 5.75% for the $4.0 million under the Alternative Base Rate (Prime) option.

8. Income Taxes

U.S Tax Reform Impact

On December 22, 2017, the U.S. Government enacted the reconciled tax reform bill, commonly known as the Tax Cuts and Jobs Act of 2017 (the "TCJA"), which became effective on January 1, 2018. The TCJA makes broad changes to the U.S. tax code including, but not limited to, reducing the Company's federal statutory tax rate from 35%, to an average rate of 29.35% for the fiscal year ended May 27, 2018, and then 21% for fiscal years thereafter; requiring companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries; generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; requiring a current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations' creating a global intangibles low-taxed income inclusion (GILTI) and the base erosion anti-abuse tax (BEAT), a new minimum tax. The TCJA also enhances and extends through 2026 the option to claim accelerated depreciation deductions on qualified property; however, the domestic manufacturing deduction, from which the Company has historically benefitted, has been eliminated.

On December 22, 2017, SAB 118 was issued to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete its accounting for certain income tax effects of the TCJA. Pursuant to SAB 118, as of May 27, 2018, the Company had not yet completed its accounting for the tax effects of the enactment of the TCJA. The Company's provision for income taxes for the year ended May 27, 2018 is based in part on its best estimate of the effects of the transition tax and existing deferred tax balances with its understanding of the TCJA and guidance available as of the date of this filing. For the amounts which were reasonably estimable, we recognized a provisional remeasurement of $16.2 million of certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future. The provisional amount related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings was an expense of $1.8 million. We are still analyzing certain aspects of the TCJA and refining the estimate of the expected reversal of our deferred tax balance. This can potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts.

The (benefit) provision for income taxes from continuing operations consisted of the following (in thousands):

	Year Ended		
	May 27, 2018	May 28, 2017	May 29, 2016
Current:			
Federal	$ (2,854)	$ 1,388	$ 2,085
State	60	39	(96)
Foreign	83	82	83
Total	(2,711)	1,509	2,072
Deferred:			
Federal	(7,122)	2,270	(9,165)
State	470	261	(611)
Total	(6,652)	2,531	(9,776)
Income tax (benefit) expense	$ (9,363)	$ 4,040	$ (7,704)

The actual provision for income taxes from continuing operations differs from the statutory U.S. federal income tax rate as follows (in thousands):

	Year Ended		
	May 27, 2018	May 28, 2017	May 29, 2016
Tax at U.S. statutory rate (1)	$ 4,784	$ 4,922	$ (6,963)
State income taxes, net of federal benefit	439	307	(518)
Tax reform	(14,350)	—	—
Change in valuation allowance	(176)	85	6
Tax credit carryforwards	(777)	(834)	(156)
Other compensation-related activity	566	(365)	173
Domestic manufacturing deduction	—	(243)	(307)
Other	151	168	61
Income tax (benefit) expense	$ (9,363)	$ 4,040	$ (7,704)

(1) Statutory rate was 29.35% for fiscal year 2018 and 35% for fiscal years 2017 and 2016.

The decrease in the income tax expense for fiscal year 2018 was primarily due to the TCJA such as the statutory rate change for federal and state, and one-time transition tax on the repatriation of foreign earnings. Additionally, the effective tax rate for fiscal year 2018 decreased from expense of 29% to a benefit of 64% in comparison to fiscal year 2017.

Significant components of deferred tax assets and liabilities reported in the accompanying consolidated balance sheets consisted of the following (in thousands):

	Year Ended	
	May 27, 2018	May 28, 2017
Deferred tax assets:		
Accruals and reserves	$ 1,421	$ 3,242
Net operating loss carryforwards	1,955	2,766
Stock-based compensation	1,247	2,032
Research and AMT credit carryforwards	2,032	1,050
Other	427	661
Gross deferred tax assets	7,082	9,751
Valuation allowance	(1,337)	(1,325)
Net deferred tax assets	5,745	8,426
Deferred tax liabilities:		
Basis difference in investment in non-public company	(3,722)	(11,495)
Goodwill and other indefinite life intangibles	(8,201)	(11,119)
Depreciation and amortization	(11,307)	(10,393)
Deferred tax liabilities	(23,230)	(33,007)
Net deferred tax liabilities	$ (17,485)	$ (24,581)

The effective tax rates for fiscal year 2018 differ from the blended statutory federal income tax rate of 29.35% 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. The effective tax rates for fiscal year 2017 differ from the statutory federal income tax rate of 35% as a result of several factors, including non-deductible stock-based compensation expense, disqualified dispositions of incentive stock options, excess equity compensation benefits from the adoption of ASU 2016-09, domestic manufacturing deduction, the benefit of federal and state research and development credits, the change in valuation allowance, all of which is partially offset by state taxes. The effective tax rates for fiscal year 2016 differ from the statutory federal income tax rate of 35% as a result of several factors, including state taxes, non-deductible stock-based compensation expense, disqualified dispositions of incentive stock options, domestic manufacturing deduction, 162m limitation, the benefit of federal and state research and development credits and the change in valuation allowance.

During the fiscal year ended May 27, 2018, excess tax deficits related to stock-based compensation of $38,000 were reflected in the consolidated statements of income (loss) as a component of income tax expense as a result of the adoption of ASU 2016-09, specifically related to the prospective application of excess tax deficits and tax deficiencies related to stock-based compensation.

The Company elected to early adopt the new guidance of ASU 2016-09, *Compensation – Stock Compensation (Topic 718)*: *Improvements to Employee Share-Based Payments Accounting*, in the quarter beginning May 30, 2016. Accordingly the primary effects of the adoption are as follows: (1) using a modified retrospective application, the Company recorded unrecognized excess tax benefits of $549,000 as a cumulative-effect adjustment, which increased retained earnings, and reduced deferred taxes by the same, (2) using a modified retrospective application, the Company has elected to recognize forfeitures as they occur and recorded a $200,000 increase to additional paid in capital, a $126,000 reduction to retained earnings, and a $74,000 reduction to deferred taxes to reflect the incremental stock-based compensation expense, net of the related tax impacts, that would have been recognized in prior years under the modified guidance, and (3) $150,000 and $463,000 in excess tax benefits from stock-based compensation was reclassified from cash flows from financing activities to cash flows from operating activities for the fiscal years ended May 29, 2016 and May 31, 2015, respectively, in the Consolidated Statements of Cash Flows.

As of May 27, 2018, the Company had federal, Indiana, and other state net operating loss carryforwards of approximately $7.1 million, $5.6 million, and $3.1 million, respectively. These losses expire in different periods through 2032, if not utilized. 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 are net of any such limitation.

The Company has federal, California, and Minnesota research and development tax credit carryforwards of approximately $0.4 million, $1.5 million, and $0.7 million, respectively. The research and development tax credit carryforwards have an unlimited carryforward period for state purposes and a 20-year carryforward for federal 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, the Company determined that a valuation allowance of $1.3 million should be recorded as a result of uncertainty around the utilization of certain state net operating losses and a book impairment loss on the Company's investment in Aesthetic Sciences as it is more likely than not that a portion of the deferred tax asset will not be realized in the foreseeable future. The valuation allowance increased by an immaterial amount from the prior year primarily due to uncertainty around the utilization of certain state net operating losses and credits.

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):

	As of		
	May 27, 2018	May 28, 2017	May 29, 2016
Unrecognized tax benefits – beginning of the period	$ 537	$ 842	$ 987
Gross increases – tax positions in prior period	21	11	1
Gross decreases – tax positions in prior period	—	(90)	(223)
Gross increases – current-period tax positions	116	93	77
Settlements	(95)	—	—
Lapse of statute of limitations	(100)	(319)	—
Unrecognized tax benefits – end of the period	$ 479	$ 537	$ 842

As of May 27, 2018, the total amount of net unrecognized tax benefits is $479,000, of which, $372,000, 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 27, 2018. Additionally, the Company expects its unrecognized tax benefits to decrease by approximately $25,000 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. Commitments and Contingencies

Operating Leases

Landec leases land, facilities, and equipment under operating lease agreements with various terms and conditions, which expire at various dates through fiscal year 2030. Certain of these leases have renewal options.

The approximate future minimum lease payments under these operating leases at May 27, 2018 are as follows (in thousands):

	Amount
Fiscal year 2019	$ 3,737
Fiscal year 2020	2,894
Fiscal year 2021	2,258
Fiscal year 2022	1,839
Fiscal year 2023	1,719
Thereafter	8,589
Total	$ 21,036

Rent expense for operating leases, including month to month arrangements was $6.1 million, $5.6 million and $4.5 million for the fiscal years 2018, 2017 and 2016, respectively.

Capital Leases

On September 3, 2015, Lifecore leased a 65,000 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. Included in property, plant and equipment as of May 27, 2018 is $3.6 million associated with this capital lease. 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. Apio has a capital lease for office equipment for which the value of $79,000 is included in property, plant and equipment as of May 27, 2018.

Future minimum lease payments under capital leases for each year presented as are follows (in thousands):

	Amount
Fiscal year 2019	$ 473
Fiscal year 2020	484
Fiscal year 2021	487
Fiscal year 2022	460
Fiscal year 2023	3,490
Thereafter	—
Total minimum lease payment	5,394
Less: amounts representing interest and taxes	(1,668)
Total	3,726
Less: current portion included in other accrued liabilities	(85)
Long-term capital lease obligation	$ 3,641

Purchase Commitments

At May 27, 2018, the Company was committed to purchase $24.4 million of produce and other materials during fiscal year 2019 in accordance with contractual terms at market rates. Payments of $35.8 million, $32.2 million and $30.5 million were made in fiscal years 2018, 2017 and 2016, respectively, under similar arrangements.

Legal Contingencies

In the ordinary course of business, the Company is 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.

Apio has been the target of a union organizing campaign which has included two unsuccessful attempts to unionize Apio's 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"), Apio's 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 Apio and Pacific Harvest.

The legal actions consist of three main types of claims: (1) Unfair Labor Practice claims ("ULPs") before the National Labor Relations Board (“NLRB”), (2) discrimination/wrongful termination claims before state and federal agencies and in individual arbitrations, and (3) wage and hour claims as part of two Private Attorney General Act (“PAGA”) cases in state court and in over 100 individual arbitrations.

A settlement of the ULPs among the union, Apio, and Pacific Harvest that were pending before the NLRB was approved on December 27, 2016 for $310,000. Apio was responsible for half of this settlement, or $155,000. On May 5, 2017, the parties to the remaining actions executed a Settlement Agreement concerning the discrimination/wrongful termination claims and the wage and hour claims which covers all non-exempt employees of Pacific Harvest working at Apio's Guadalupe, California processing facility from September 2011 through the settlement date. Under the settlement agreement, the plaintiffs are to be paid $6.0 million in three installments, $2.4 million of which was paid on July 3, 2017, $1.8 million which was paid on November 22, 2017 and $1.8 million which was paid in July 2018. The Company and Pacific Harvest have each agreed to pay one half of the settlement payments. The Company paid the entire first two installments of $4.2 million and will be reimbursed by Pacific Harvest for its $2.1 million portion, of which $600,000 and $1.5 million is included in Prepaid and other current assets and Other assets, respectively, in the accompanying Consolidated Balance Sheets. This receivable will be repaid through monthly payments until fully paid, which the Company expects to occur by December 2020. The Company and Pacific Harvest each paid their portion of the third installment in July 2018. The Company’s recourse against non-payment by Pacific Harvest is its security interest in assets owned by Pacific Harvest.

For fiscal years 2018, 2017 and 2016, the Company incurred legal expenses of $639,000, $2.1 million and $542,000, respectively, related to these actions. During the twelve months ended May 28, 2017, the Company recorded a legal settlement charge of $2.6 million related to these actions. As of May 27, 2018, the Company had accrued $1.0 million related to these actions, which is included in Other accrued liabilities in the accompanying Consolidated Balance Sheets.

10. Employee Savings and Investment Plans

The Company sponsors a 401(k) plan which is available to all full-time Landec employees ("Landec Plan"), 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 2018, 2017 and 2016, the Company contributed $1.8 million, $1.5 million and $1.3 million**,** respectively, to the Landec Plan.

11. Business Segment Reporting

Prior to May 2018, the Company managed its business operations through three strategic business units based upon the information reported to the chief operating decision maker, who is the Chief Executive Officer: Packaged Fresh Vegetables, Food Export and Biomaterials. However, in May 2018, the Company discontinued its Food Export business segment. As a result, the Company met the requirements of ASC 205-20 and ASC 360 to report the results of the Food Export business segment as discontinued operations. The operating results for the Food Export business segment, in all periods presented, have been reclassified to discontinued operations and are no longer reported as a separate segment.

The Packaged Fresh Vegetables segment markets and packs 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. In addition, the Packaged Fresh Vegetables segment sells BreatheWay packaging to partners for fruit and vegetable products. The Biomaterials 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. Other includes licensing and R&D activities from Landec's Intelimer polymers for agricultural products, personal care products and other industrial products and from the operations of the *O* business from its acquisition date of March 1, 2017 through May 27, 2018. The Other segment also includes corporate general and administrative expenses, non-Packaged Fresh Vegetables and non-Biomaterials interest income and income tax expenses. All of the assets of the Company are located within the United States of America.

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 27, 2018	May 28, 2017	May 29, 2016
Canada	$ 78.0	$ 69.3	$ 80.6
Belgium	$ 17.2	$ 21.0	$ 13.4
Ireland	$ 4.1	$ 4.0	$ 3.2
United Kingdom	$ 0.8	$ 0.4	$ 0.6
Switzerland	$ 0.8	$ 0.3	$ 0.4
Mexico	$ 0.6	$ 0.5	$ 0.8
All Other Countries	$ 1.4	$ 3.4	$ 4.2

Operations by segment consisted of the following (in thousands):

Year Ended May 27, 2018	Packaged Fresh Vegetables	Biomaterials	Other (1)	Total
Net sales	$ 454,953	$ 65,427	$ 3,847	$ 524,227
International sales	$ 78,217	$ 24,468	$ 167	$ 102,852
Gross profit	$ 49,130	$ 28,568	$ 640	$ 78,338
Net income (loss) from continuing operations	$ 17,970	$ 11,631	$ (3,840)	$ 25,761
Identifiable assets (2)	$ 251,500	$ 129,342	$ 23,861	$ 404,703
Depreciation and amortization	$ 8,056	$ 3,679	$ 677	$ 12,412
Capital expenditures	$ 11,171	$ 16,454	$ 5,965	$ 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	$ (9,537)	$ 2,638	$ (2,464)	$ (9,363)
Year Ended May 28, 2017				
Net sales	$ 408,021	$ 59,392	$ 2,363	$ 469,776
International sales	$ 69,802	$ 29,053	$ —	$ 98,855
Gross profit	$ 51,148	$ 26,755	$ 1,309	$ 79,212
Net income (loss) from continuing operations	$ 2,641	$ 10,228	$ (2,734)	$ 10,135
Identifiable assets (2)	$ 211,381	$ 104,492	$ 42,735	$ 358,608
Depreciation and amortization	$ 7,312	$ 3,054	$ 311	$ 10,677
Capital expenditures	$ 11,294	$ 11,169	$ 540	$ 23,003
Dividend income	$ 1,650	$ —	$ —	$ 1,650
Interest income	$ 16	$ —	$ —	$ 16
Interest expense, net	$ 674	$ 13	$ 1,139	$ 1,826
Income tax expense	$ 823	$ 2,938	$ 279	$ 4,040
Year Ended May 29, 2016				
Net sales	$ 423,859	$ 50,470	$ 2,589	$ 476,918
International sales	$ 81,242	$ 21,993	$ —	$ 103,235
Gross profit	$ 40,479	$ 24,081	$ 2,221	$ 66,781
Net (loss) income from continuing operations	$ (32,168)	$ 9,499	$ 10,679	$ (11,990)
Identifiable assets (2)	$ 212,524	$ 98,986	$ 31,143	$ 342,653
Depreciation and amortization	$ 6,648	$ 2,606	$ 141	$ 9,395
Capital expenditures	$ 27,533	$ 12,162	$ —	$ 39,695
Dividend income	$ 1,650	$ —	$ —	$ 1,650
Interest income	$ 46	$ 25	$ —	$ 71
Interest expense, net	$ 1,721	$ 266	$ —	$ 1,987
Income tax expense (benefit)	$ 415	$ 1,946	$ (10,065)	$ (7,704)

(1) The Other segment operating results for the year ended May 27, 2018, May 28, 2017 and May 29, 2016 have been restated to reflect the reclassification of the Food Export segment to discontinued operations.
(2) Assets of discontinued operations are included in Other for the years ended May 27, 2018, May 28, 2017, and May 29, 2016.

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12. Quarterly Consolidated Financial Information (unaudited)

The following is a summary of the unaudited quarterly results of operations for fiscal years 2018 and 2017 (in thousands, except for per share amounts):

Fiscal Year 2018	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Revenues	$ 115,781	$ 122,461	$ 144,909	$ 141,076	$ 524,227
Gross profit	$ 18,802	$ 14,921	$ 19,806	$ 24,809	$ 78,338
Net income from continuing operations	$ 2,355	$ 414	$ 16,281	$ 6,711	$ 25,761
Net income applicable to common stockholders	$ 2,146	$ 487	$ 16,088	$ 6,108	$ 24,829
Net income per basic share from continuing operations	$ 0.08	$ 0.02	$ 0.59	$ 0.24	$ 0.93
Net income per diluted share from continuing operations	$ 0.08	$ 0.02	$ 0.58	$ 0.24	$ 0.92

Fiscal Year 2017	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Revenues	$ 109,055	$ 110,164	$ 129,292	$ 121,265	$ 469,776
Gross profit	$ 20,116	$ 17,103	$ 22,873	$ 19,120	$ 79,212
Net income from continuing operations	$ 3,183	$ 765	$ 3,591	$ 2,596	$ 10,135
Net income applicable to common stockholders	$ 3,312	$ 1,326	$ 3,500	$ 2,452	$ 10,590
Net income per basic share from continuing operations	$ 0.12	$ 0.03	$ 0.13	$ 0.09	$ 0.37
Net income per diluted share from continuing operations	$ 0.11	$ 0.03	$ 0.13	$ 0.09	$ 0.36

During the fourth quarter of fiscal year 2018, the Company determined that it had improperly included accrued capital expenditures in cash used in investing activities from the purchase of property and equipment in its statements of cash flows for the previous annual financial statements and the quarterly financial statements for fiscal years 2018 and 2017. While the Company concluded that the impact of these errors was not material to prior annual periods, the Company concluded that the errors were material to its 2018 and 2017 quarterly statements of cash flows. As a result, the Company has restated all quarterly periods in fiscal years 2018 and 2017 to reflect the correction of these errors (the Restatement). The following tables summarize the impact of the Restatement on the Company's previously reported consolidated statements of cash flows included in the Quarterly Reports on Forms 10-Q for each respective period.

Fiscal Year 2018	1st Quarter	2nd Quarter	3rd Quarter
Cash provided by (used in) operating activities:			
As Reported	$ (131)	$ 4,330	$ 18,098
Adjustment	3,581	2,006	2,202
Restated	$ 3,450	$ 6,336	$ 20,300
Cash used in investing activities:			
As Reported	$ (3,288)	$ (9,457)	$ (20,544)
Adjustment	(3,581)	(2,006)	(2,202)
Restated	$ (6,869)	$ (11,463)	$ (22,746)

Fiscal Year 2017	1st Quarter	2nd Quarter	3rd Quarter
Cash provided by operating activities:			
As Reported	$ 6,467	$ 5,527	$ 23,181
Adjustment	3,502	4,185	3,445
Restated	$ 9,969	$ 9,712	$ 26,626
Cash used in investing activities:			
As Reported	$ (2,122)	$ (4,724)	$ (9,414)
Adjustment	(3,502)	(4,185)	(3,445)
Restated	$ (5,624)	$ (8,909)	$ (12,859)

13. Discontinued Operations

During the fourth quarter of fiscal year 2018, the Company discontinued its Food Export business. As a result, the Company met the requirements of ASC 205-20¸ to report the results of the Food Export segment as a discontinued operation and to classify the Food Export Segment as a group of assets and liabilities held for abandonment. The operating results for the Food Export business have therefore been reclassified as a discontinued operation.

The carrying amounts of the major classes of assets and liabilities of the Food Export business segment included in assets and liabilities of discontinued operations are as follows (in thousands):

	Year Ended	
	May 27, 2018	May 28, 2017
Current and other assets, discontinued operations:		
Cash and cash equivalents	$ (8)	$ (589)
Accounts receivable	518	1,184
Inventory	—	1,670
Other assets	—	269
Total assets, discontinued operations	$ 510	$ 2,534
Other current liabilities, discontinued operations:		
Accounts payable	$ 230	$ 1,341
Accrued expenses and other current liabilities	228	785
Total other current liabilities, discontinued operations	$ 458	$ 2,126

Once the Food Export business was discontinued, the operations associated with this business 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 income (loss) and the notes to the consolidated financial statements have been adjusted to exclude the Food Export business segment. Components of amounts reflected in (loss) income from discontinued operations, net of tax are as follows (in thousands):

	Year Ended		
	May 27, 2018	May 28, 2017	May 29, 2016
Revenues	$ 29,222	$ 62,481	$ 64,181
Cost of sales	(27,619)	(58,507)	(60,005)
Selling, general and administrative	(2,522)	(3,137)	(3,334)
Other	(269)	—	—
(Loss) income from discontinued operations before taxes	(1,188)	837	842
Income tax benefit (expense)	350	(295)	(300)
(Loss) income from discontinued operations, net of tax	$ (838)	$ 542	$ 542

Cash provided by (used in) operating activities by the Food Export business totaled $580,000, $(515,000), and $11,000 for the fiscal years ended May 27, 2018, May 28, 2017, and May 29, 2016, respectively.

14. Subsequent Events

Interest rate swap contract

On June 25, 2018, the Company entered into an interest rate swap contract (the "Swap") with JPMorgan at a notional amount of $30.0 million. The Swap has the effect of converting the Company's Revolver obligation from a variable interest rate to a fixed 30-day LIBOR rate of 2.74%.

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(b) Index of Exhibits.

Exhibit Number	Exhibit Title
3.1	Certificate of Incorporation of Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K dated November 7, 2008.
3.2	Amended and Restated Bylaws of Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K dated October 16, 2012.
10.1	Form of Indemnification Agreement, incorporated herein by reference to Exhibit 10.1 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended May 29, 2005.
10.2	Industrial Real Estate Lease dated March 1, 1993 between the Registrant and Wayne R. Brown & Bibbits Brown, Trustees of the Wayne R. Brown & Bibbits Brown Living Trust dated December 30, 1987, incorporated by reference to Exhibit 10.6 to the Registrant’s Registration Statement on Form S-1 (File No. 33-80723) declared effective on February 12, 1996.
10.3	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 dated November 7, 2008.
10.4*	2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated October 19, 2009.
10.5*	Form of Stock Grant Agreement for 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated October 19, 2009.
10.6*	Form of Notice of Stock Option Grant and Stock Option Agreement for 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.3 to the Registrant's Current Report on Form 8-K dated October 19, 2009.
10.7*	Form of Stock Unit Agreement for 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.4 to the Registrant's Current Report on Form 8-K dated October 19, 2009.
10.8*	Form of Stock Appreciation Right Agreement for 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.5 to the Registrant's Current Report on Form 8-K dated October 19, 2009.
10.9*	Nonqualified Deferred Compensation Plan, incorporated herein by reference to the Registrant’s Current Report on Form 8-K dated July 31, 2013.
10.10*	2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated October 11, 2013.
10.11*	First Amendment to the 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant’s Current Report on Form 8-K dated October 23, 2017.
10.12*	Form of Stock Grant Agreement for 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated October 11, 2013.
10.13*	Form of Notice of Stock Option Grant and Stock Option Agreement for 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.3 to the Registrant's Current Report on Form 8-K dated October 11, 2013.
10.14*	Form of Stock Unit Agreement for 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.4 to the Registrant's Current Report on Form 8-K dated October 11, 2013.
10.15*	Form of Stock Appreciation Right Agreement for 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.5 to the Registrant's Current Report on Form 8-K dated October 11, 2013.

Exhibit Number	Exhibit Title
10.16*	2018 Cash Bonus Plan, incorporated herein by reference to the Registrant’s Current Report on Form 8-K dated May 26, 2017.
10.17*	Employment Agreement between the Registrant and Gregory S. Skinner effective as of October 15, 2015, incorporated herein by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K dated October 21, 2015.
10.18*	Employment Agreements between the Registrant and Molly A. Hemmeter effective as of October 15, 2015, incorporated herein by reference to Exhibits 10.1 and 10.2 to the Registrant’s Current Report on Form 8-K dated October 21, 2015.
10.19	Loan Agreement dated February 26, 2016 between 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 99.1 to the Registrant’s Current Report on Form 8-K dated March 3, 2016.
10.20	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 dated March 3, 2016.
10.21	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 dated March 3, 2016.
10.22	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 dated March 3, 2016.
10.23	Credit Agreement and Pledge and Security Agreement by and between the Registrant, and JPMorgan Chase Bank, N.A., BMO Harris Bank N.A., and City National Bank, dated September 23, 2016, incorporated herein by reference to Exhibits 10.1 and 10.2 to the Registrant’s Current Report on Form 8-K dated September 29, 2016.
10.24*	Long-Term Incentive Plan for Fiscal Year 2019, incorporated herein by reference to Registrant’s Current Report on Form 8-k dated October 25, 2016.
10.25	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 dated May 10, 2017.
10.26	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 here by reference to Exhibit 2.1 to the Registrant’s Current Report on Form 8-K dated May 2, 2018.
10.27	Letter Agreement dated May 22, 2018 among 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 dated May 25, 2018.

21.1	Subsidiaries of the Registrant at May 27, 2018	State of Incorporation
	Apio, Inc.	Delaware
	Lifecore Biomedical, Inc.	Delaware

Financials

Exhibit Number	Exhibit Title
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 required to be filed as an exhibit to this report pursuant to Item 15(b) of Form 10-K.

** Information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

\+ 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 on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Santa Clara, State of California, on August 9, 2018.

LANDEC CORPORATION

By: /s/ Gregory S. Skinner
Gregory S. Skinner
Vice President Finance and Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Molly A. Hemmeter and Gregory S. Skinner, and each of them, as his attorney-in-fact, with full power of substitution, for him in any and all capacities, to sign any and all amendments to this 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 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:

Signature	Title	Date
/s/ Molly A. Hemmeter Molly A. Hemmeter	President and Chief Executive Officer and Director (Principal Executive Officer)	August 9, 2018
/s/ Gregory S. Skinner Gregory S. Skinner	Vice President Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	August 9, 2018
/s/ Albert D. Bolles, Ph.D Albert D. Bolles, Ph.D	Director	August 9, 2018
/s/ Debbie Carosella Debbie Carosella	Director	August 9, 2018
/s/ Frederick Frank Frederick Frank	Director	August 9, 2018
/s/ Steven Goldby Steven Goldby	Director	August 9, 2018
/s/ Tonia Pankopf Tonia Pankopf	Director	August 9, 2018
/s/ Catherine A. Sohn Catherine A. Sohn	Director	August 9, 2018
/s/ Gary T. Steele Gary T. Steele	Director	August 9, 2018
/s/ Robert Tobin Robert Tobin	Director	August 9, 2018

EXHIBIT INDEX

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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.

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Corporate Directory

BOARD OF DIRECTORS

Albert D. Bolles, Ph.D.
Retired Executive Vice President,
Chief Technical and Operations Officer,
ConAgra Foods, Inc.

Deborah Carosella
Retired CEO,
Madhava Natural Sweeteners

Frederick Frank
Chairman of the Board,
Evolution Life Sciences Partners

Steven Goldby
Partner,
Venrock

Molly A. Hemmeter
President and Chief Executive Officer,
Landec Corporation

Tonia Pankopf
Managing Partner,
Pareto Advisors, LLC

Catherine A. Sohn, Pharma.D.
Retired Senior Executive,
GlaxoSmithKline plc (GSK)

Gary T. Steele
Retired CEO,
Landec Corporation

Robert Tobin
Retired CEO,
Ahold USA

CORPORATE MANAGEMENT

Molly A. Hemmeter
President and Chief Executive Officer

Gregory S. Skinner
Vice President of Finance and
Administration and Chief Financial Officer

Ronald L. Midyett
Chief Operating Officer

James G. Hall
President,
Lifecore Biomedical, Inc.

Steven P. Bitler, Ph.D.
Vice President,
Corporate Technology

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
Ernst & Young LLP
San Francisco, CA

CORPORATE COUNSEL
King & Spalding LLP
San Francisco, CA

STOCKHOLDERS' 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

CORPORATE HEADQUARTERS
Landec Corporation
5201 Great America Parkway, Suite 232
Santa Clara, CA 95054
650-306-1650

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:

5201 Great America Parkway, Suite 232
Santa Clara, CA 95054
Attn: Investor Relations

Except for the historical information contained here, 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.

TRADEMARKS
The following are some of the official trademarks and service marks of the Landec Corporation and its subsidiaries:

Landec®	Cal Ex®
Intelimer®	GreenLine®
Apio™	Revitalure™
Lifecore®	Corgel® BioHydrogel
Clearly Fresh®	Lurocoat® Ophthalmic Viscoelastic
BreatheWay®	Ortholure™ Orthopedic Viscosupplement
Eat Smart®	Smart Polymers to Fuel Innovation™
O Olive & Vinegar®	

Windset Farms® is a registered trademark of Greenhouse Grown Foods Inc.


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Landec Corporation,
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Santa Clara, CA 95054

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