



LANDEC

2021 ANNUAL
REPORT

A Letter from Landec



Landec Family and Friends,

Our goal remains to deliver value to all stakeholders by maximizing growth across our entire portfolio of businesses, while simultaneously respecting and preserving the planet for future generations. To this end, we will continue to focus on activities for advancing profitable growth, operational excellence, consumer and customer driven innovations, greater sustainability, and exceptional care of all people.

Our first priority is and has always been the wellness of our workforce. During the COVID-19 pandemic, it came into even greater focus at all levels of our organization. Landec's performance this year reflects the momentous effort of all our employees and the ongoing dedication of our essential workers. Every day, they worked to ensure our ability to continue manufacturing life-changing medications in our Lifecore business segment and deliver fresh affordable food in our Curation Foods business segment. Collectively, we assembled a COVID-19 taskforce to implement strict protocols and protective measures that have helped facilitate a healthy and safe workplace environment. As approved vaccines became available, we set up free onsite vaccination clinics – not only for our workforce, but for their families and the community at large.

We have also navigated the myriad of business challenges associated with the pandemic that impacted our customers and our respective supply chains. At our Curation Foods business, this created additional complexity while in the midst of our operational turnaround. Nonetheless, our team rose to the occasion and I am proud to report that we not only effectively overcame many of these obstacles, but also delivered improved financial performance and significantly improved cash flow from operations, which increased \$32 million versus fiscal 2020.

The improvement in our cash generation allowed us to refinance our credit facility and provided the business with a pathway for supporting Lifecore in its long-term goal of achieving consistent double-digit revenue growth, while marching towards the completion of our Curation Foods turnaround.

(cont.)

LANDEC RESULTS

\$32.1m

IMPROVEMENT Y/Y

FY 21 CONSOLIDATED CASH
FLOW FROM OPERATIONS

\$31.4m

+43% Y/Y

FY 21 CONSOLIDATED
ADJUSTED EBITDA*

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

An upwards trajectory of demand, capacity and growth.

For our Lifecore business, we have continued to support its growth trajectory with the necessary capital for expanding capacity to meet customer needs. This business operates in the dynamic contract development and manufacturing (CDMO) industry. According to Informa PharmSource, research shows that in the last 10 years, approximately 75% of new drug development among small to mid-sized pharma companies has already been outsourced to CDMOs. It also reveals that the injectable products market currently represents approximately 45% of total products in development. Lifecore is uniquely positioned to strategically capture a share of the growing demand for specialized CDMO vial and syringe capacity.

75-100m UNITS OF CDMO VIAL & SYRINGE CAPACITY THROUGH 2023

This strategic capability is captured in our ongoing CDMO partnership with Heron Therapeutics' approval of its ZYNRELEF product, an important new therapy for treating certain post-surgical pain. The approval showcases the support and capabilities of Lifecore's world class quality systems and manufacturing engineering excellence in the finish and fill of challenging injectable product solutions. We now look forward to continuing to work with Heron on commercializing ZYNRELEF, which will drive revenue growth in our aseptic fill and finish business.

The annual double-digit growth trajectory that we expect from Lifecore business over the long-term is being fueled by a robust product development pipeline. In fiscal 2021, Lifecore grew their pipeline by 25% to a total of 21 active projects that are in various stages of their product lifecycle.

Lifecore continues to stand out as a specialized leader in the CDMO industry with its reputation for quality and execution of difficult projects and its world class quality system that supports drugs, biologics, medical devices, and combination products. We are providing the necessary capital to ensure Lifecore not only remains in this advantageous position, but also to meet the future demands of its expanding product development pipeline. The future is very bright for Lifecore and we are extremely pleased with its market positioning.



FISCAL RESULTS

\$98.1m
+14% Y/Y
FY 21 REVENUE

\$24.5m
+22% Y/Y
FY 21 CONSOLIDATED
ADJUSTED EBITDA*

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

The fruits of our turnaround efforts.

At Curation Foods, our priorities continue to be the enhancement of its margin profile as we further reposition the business for sustainable growth. Our Project SWIFT framework is guiding our efforts in the realignment of our resources, optimization of our operations and improvements to our balance sheet. As a result, fiscal 2021 proved to be a very dynamic year with the sale of non-strategic assets, consolidation of facilities, and ongoing redesign of the organization. While these decisions are difficult to make and execute, especially during a global pandemic, we are already seeing the effects in our profitability.

In the fiscal fourth quarter of 2021, we delivered a gross margin of 11.9% which met our steady state goal of reaching segment gross margins in the range of 11% to 14% by the fiscal year end. One of the key drivers for this improvement was the successful turnaround of our avocado business.

11-14% GROSS MARGIN INCREASE
STEADY-STATE GOAL MET

As for our pursuit of generating sustainable growth, our top-line remains in a state of transition with SKU rationalization underway and innovations in our fresh packaged salad kits prepared for store resets in the fall of calendar 2021. With this business' continued pursuits of the Project SWIFT agenda and significantly improved profitability, we are in position to drive more consistent operating results in the coming year.

I applaud the team's agility, resourcefulness, and resolve in what proved to be an incredibly dynamic year amid a global pandemic. As challenging as it was, we have the business in a much-improved position with a simplified infrastructure and a renewed focus that will drive our operational execution in the years ahead.

Last year, we published our sustainability target goals and metrics to be achieved by 2025. The 2021 Sustainability Handbook outlines the progress we have made in meeting and surpassing these milestones. We have more work to do, specifically in measuring our carbon footprint across all operations and establishing specific operational goals relevant to Lifecore. But I'm pleased with the progress we are making as a whole to improve our impact on the planet and every person touched by our organization.

Sincerely,



Albert D. Bolles, Ph.D.
Chief Executive Officer

Curation
FOODS

FISCAL RESULTS

11.9%

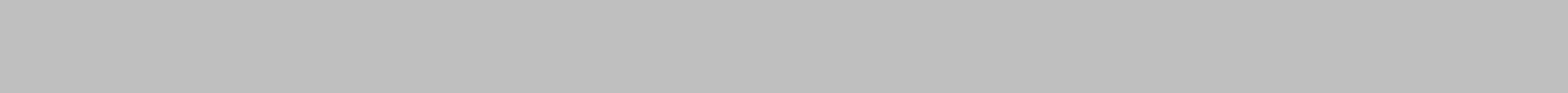
4Q21 GROSS
PROFIT MARGIN

\$11m

+148% Y/Y

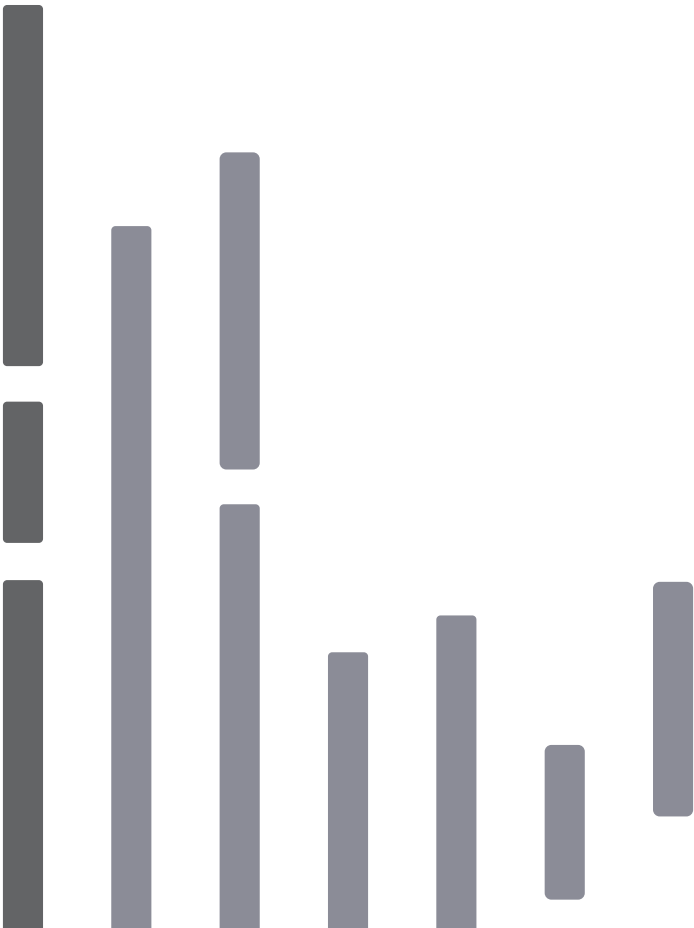
FY 21 CONSOLIDATED
ADJUSTED EBITDA*

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2021 Proxy
Statement
& Form 10-K

LANDEC



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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON OCTOBER 20, 2021

TO THE STOCKHOLDERS OF LANDEC CORPORATION:

NOTICE IS HEREBY GIVEN that the 2021 Annual Meeting of Stockholders (the "Annual Meeting") of Landec Corporation, a Delaware Corporation (the "Company"), will be held on Wednesday, October 20, 2021, at 12:30 p.m. (Pacific Time). The Annual Meeting can be accessed by visiting www.virtualshareholdermeeting.com/LNDC2021, where you will be able to listen to the meeting live, submit questions, and vote online for the following purposes:

- (1) To elect the following 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:

Albert D. Bolles, PhD

Deborah Carosella

Tonia Pankopf

Craig A. Barbarosh

Joshua E. Schechter

- (2) To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending May 29, 2022;
- (3) To approve a non-binding advisory proposal on the executive compensation of the Company's named executive officers, as described in the Proxy Statement accompanying this notice; and
- (4) To transact such other business as may properly come before the Annual Meeting or any postponement(s) or adjournment(s) thereof.

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

Only stockholders of record of our common stock at the close of business on August 23, 2021, are entitled to notice of and to vote at the Annual Meeting and any postponement(s) or adjournment(s) thereof.

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

BY ORDER OF THE BOARD OF DIRECTORS

/s/ John D. Morberg

JOHN D. MORBERG

Secretary

Santa Maria, California
August 27, 2021

IMPORTANT

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

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LANDEC CORPORATION

PROXY STATEMENT FOR 2021 ANNUAL MEETING OF STOCKHOLDERS

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LANDEC

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON OCTOBER 20, 2021

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed proxy is solicited on behalf of the Board of Directors (the "Board of Directors" or the "Board") of Landec Corporation, a Delaware corporation ("Landec," the "Company," "we" or "us"), for use at the 2021 Annual Meeting of Stockholders (the "Annual Meeting") to be held virtually on Wednesday, October 20, 2021, at 12:30 p.m. (Pacific Time), or at any postponement(s) or adjournment(s) thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting can be accessed by visiting www.virtualshareholdermeeting.com/LNDC2021, where you will be able to listen to the meeting live, submit questions, and vote online.

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

Solicitation

These proxy solicitation materials are to be mailed on or about September 10, 2021 to all stockholders entitled to vote at the Annual Meeting. The costs of soliciting these proxies will be borne by the Company. These costs will include the expenses of preparing and mailing proxy materials for the Annual Meeting and the reimbursement of brokerage firms and others for their expenses incurred in forwarding solicitation material regarding the Annual Meeting to beneficial owners of the Company's common stock, par value \$0.001 per share (the "Common Stock"). The Company may conduct further solicitation personally, telephonically or by facsimile through its officers, directors and regular employees, none of whom will receive additional compensation for assisting with the solicitation.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on October 20, 2021.

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

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

GENERAL INFORMATION ABOUT THE ANNUAL MEETING

Purpose of the Annual Meeting

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

Record Date; Quorum

Only holders of record of our Common Stock at the close of business on August 23, 2021 will be entitled to vote at the Annual Meeting. At the close of business on August 23, 2021, we had 29,461,710 shares of Common Stock outstanding and entitled to vote.

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

Voting Rights; Required Vote

We do not have cumulative voting rights for the election of directors. You may vote all shares owned by you as of August 23, 2021, including (i) shares held directly in your name as the stockholder of record and (ii) shares held for you as the beneficial owner in “street name” through a broker, bank, trustee, or other nominee.

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

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

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

Proposal No. 1 - Election of Directors: Each director is elected by a majority of the votes cast with respect to such director. Any votes “withheld” for a particular director are effectively votes against that director. 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 Appointment of Independent Registered Public Accounting Firm: This proposal must be approved by a majority of the shares present and voted on the proposal. Abstentions will have the same effect as a vote against this proposal. Broker non-votes are unlikely to result from, and would not have any effect on, the outcome of the vote on this proposal.

Proposal No. 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 all 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 29, 2022; **FOR** the advisory vote on executive compensation; and as the proxy holders deem advisable on other matters that may come before the meeting or any adjournment(s) thereof, as the case may be, with respect to the item not marked. Broker non-votes will not be considered as voting with respect to any of these matters.

Voting Instructions; Voting of Proxies

If you are a stockholder of record, you may:

- (1) vote via the virtual meeting website - any stockholder can attend the Annual Meeting by visiting www.virtualshareholdermeeting.com/LNDC2021, where stockholders may vote and submit questions during the meeting. The Annual Meeting starts at 12:30 p.m. (Pacific Time) on Wednesday, October 20, 2021. Please have your 16-Digit Control Number to join the Annual Meeting. Instructions on how to attend and participate via the Internet, including how to demonstrate proof of stock ownership, are posted at www.proxyvote.com;
- (2) vote via telephone or Internet - in order to do so, please follow the instructions shown on your proxy card; or
- (3) vote by mail - complete, sign, and date the proxy card enclosed herewith and return it before the Annual Meeting in the envelope provided.

Votes submitted by telephone or Internet must be received by 11:59 pm Eastern Time on October 19, 2021. Submitting your proxy, whether via the Internet, by telephone, or by mail, will not affect your right to vote should you decide to attend the virtual Annual Meeting. If you are not the stockholder of record, please refer to the voting instructions provided by your nominee to direct your nominee on how to vote your shares. You may either vote "FOR" all of the nominees to the Board of Directors, or you may withhold your vote from all nominees or any nominee you specify. For Proposals 2 and 3, you may vote "FOR" or "AGAINST" or "ABSTAIN" from voting. Your vote is important. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure that your vote is counted.

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

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

Revocability of Proxies

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

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

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

Voting Results

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

Deadline for Receipt of Stockholder Proposals for the Company's Annual Meeting of Stockholders in 2022

If any stockholder desires to present a stockholder proposal at the Company's 2022 Annual Meeting of Stockholders (the "2022 Annual Meeting"), such proposal must be received by the Secretary of the Company no later than May 13, 2022, in order that they may be considered for inclusion in the proxy statement and form of proxy relating to that meeting (provided, however, if the date of the 2022 Annual Meeting is more than 30 days from the anniversary date of the 2021 Annual Meeting, the deadline for receipt by the Secretary of the Company of any stockholder proposal at the 2022 Annual Meeting shall instead be not later than the close of business on the later of (i) one hundred twenty (120) calendar days in advance of the 2022 Annual Meeting and (ii) ten (10) calendar days following the date on which public announcement of the date of the 2022 Annual Meeting is first made). Such proposals will also need to comply with SEC regulations under Rule 14a-8 of the Exchange Act of 1934, as amended (the "Exchange Act"), 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.

The Company intends to file a proxy statement and WHITE proxy card with the SEC in connection with its solicitation of proxies for its 2022 Annual Meeting of Shareholders.

Householding of Proxy Materials

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

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Nominees

The Company's Bylaws currently provide for no fewer than six (6) and no more than twelve (12) directors. The Company's Certificate of Incorporation provides for the classification of the Board of Directors into two classes serving staggered terms. Each Class 1 and Class 2 director is elected for a two-year term, with the Class 1 directors elected in even numbered calendar years (*e.g.*, 2022) and the Class 2 directors elected in odd numbered calendar years (*e.g.*, 2021). The Board of Directors has currently fixed the number of directors at ten (10) directors and ten (10) directors currently serve on the Board of Directors.

Based on the recommendation of our Nominating and Corporate Governance Committee, our Board of Directors has nominated a total of five (5) directors listed below, of which:

Albert D. Bolles, Ph.D, Joshua E. Schechter, Deborah Carosella, Tonia Pankopf, and Craig A. Barbarosh have been re-nominated to serve as Class 2 directors,

in each case, to serve for a term expiring at the Annual Meeting of Stockholders held in the second year following the year of their election (the "2023 Annual Meeting") and until their successors are duly elected and qualified.

The persons nominated to serve as Class 2 directors, if elected, shall serve until the 2023 Annual Meeting and until their successors are duly elected and qualified. In the event that any nominee of the Company is unable or declines to serve as a director at the time of the Annual Meeting, the proxies to be voted in favor of such nominee will instead be voted for any nominee designated by the present Board of Directors to fill such vacancy. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner as will assure the election of as many of the nominees listed above as possible, and, in such event, the specific nominees to be voted for will be determined by the proxy holders. As of the date of this Proxy Statement, the Board of Directors is not aware of any nominee who is unable or will decline to serve as a director. In addition, the Board of Directors has determined that each of the director nominees, other than Dr. Bolles, is "independent" for purposes of the NASDAQ Stock Market, LLC ("NASDAQ") rules.

Class 2 Directors

| <u>Name of Director</u> | <u>Age</u> | <u>Principal Occupation</u> | <u>Director Since</u> |
|----------------------------|------------|--|-----------------------|
| Albert D. Bolles, PhD..... | 63 | President and CEO of the Company, Director | 2014 |
| Joshua E. Schechter | 48 | Director | 2020 |
| Deborah Carosella | 64 | Director | 2017 |
| Tonia Pankopf..... | 53 | Director | 2012 |
| Craig Barbarosh..... | 54 | Director, Chairperson of the Board | 2019 |

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

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

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

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

Mr. Schechter’s experience in corporate governance matters, capital markets, acquisitions, and other transactions in a variety of industries, together with his managerial and public company board experience, provides valuable insight to the Board of Directors.

Deborah Carosella has served as a member of the Board of Directors since March 2017. Ms. Carosella also serves as a director on the board of Arcadia Biosciences where she is a member of the nominating and governance committee. Ms. Carosella has over 30 years of experience in the consumer products goods industry, with both large corporations and smaller, entrepreneurial, high-growth companies. Ms. Carosella has extensive experience in the natural and organic foods industry, and particular expertise in general operating management, customer and consumer strategy, strategic marketing, brand development and new product development and innovation. Most recently she served as a strategic consultant for various natural and organic food companies and as an advisor to select private equity firms. Previously, Ms. Carosella was CEO of Madhava Natural

Sweeteners ("Madhava"), a Boulder, Colorado-based natural and organic sweetener company until December 2016. Prior to her tenure at Madhava, Ms. Carosella was Senior Vice President of Innovation and a member of the Executive Leadership Team at Whitewave/Dean Foods. She joined Whitewave/Dean Foods from ConAgra Foods, Inc. (now Conagra Brands, Inc. (NYSE:CAG)) where she held various roles, including Vice President, General Manager, Vice President, Strategic Marketing and Innovation, and Executive Vice President, New Platforms while serving on the Executive Leadership Team with segment specific and enterprise-wide responsibilities. Ms. Carosella began her career in the branding, positioning, innovation and advertising agency business, serving as president of her own agency after working for several years with large, multi-national agencies. Ms. Carosella holds a Bachelor of Journalism from the University of Missouri.

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

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

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

Craig A. Barbarosh has been a director of the company since October, 2019 and has served as the chairperson of our board since October 2020. Mr. Barbarosh is also a director of Nextgen Healthcare, Inc. (NASDAQ:NXGN), where he is the Vice Chairman of the Board, Chair of the Compensation Committee and member of the Nominating and Governance Committee, Sabra Health Care REIT, Inc. (NASDAQ:SBRA) where he is the Chair of the Audit Committee and a member of the Compensation Committee and Evolent Health (NYSE:EVH) where he is a member of the Compensation and Strategy Committees. Mr. Barbarosh previously served on the boards of Aratana Therapeutics, Inc. (NASDAQ:PETX), where he was a member of the Compensation Committee and Chair of the Strategic Review Committee, BioPharmX, Inc., (NYSE:BPMX), where he was the Chair of the Nominating and Governance Committee and a member of the Audit and Compensation Committees, and Bazaarvoice, Inc. (NYSE:BPMX), where he was a member of the Compensation Committee. Mr. Barbarosh also served as the independent board observer for Payless Holdings, LLC and as an independent director for Ruby Tuesday, Inc. during their Chapter 11 proceedings. Mr. Barbarosh is a partner at the international law firm of Katten Muchin Rosenman LLP, a position he has held since June 2012. Previously, Mr. Barbarosh was a partner of the international law firm of Pillsbury Winthrop Shaw Pittman LLP.

Mr. Barbarosh is a nationally recognized restructuring expert who, during the nearly three decades of his legal career, has represented lenders, indenture trustees and bondholders and other investors and their agents in some of the largest corporate restructuring cases in the country. He served in several leadership positions while a partner at Pillsbury including serving on the firm's Managing Board, as the Chair of the firm's Board's Strategy Committee, as a co-leader of the firm's national Insolvency & Restructuring practice section and as the Managing Partner of the firm's Orange County office. At Katten, Mr. Barbarosh completed a seven-year term on the firm's Board of Directors including a four-year term on the firm's twelve-person Executive Committee which oversees the business operations of the firm. Mr. Barbarosh received a Juris Doctorate from the University of the Pacific, McGeorge School of Law in 1992, with distinction, and a Bachelor of Arts in Business Economics from the University of California at Santa Barbara in 1989. Mr. Barbarosh received certificates from Harvard Business School for completing executive education courses on Private Equity and Venture Capital (2007), Financial Analysis for Business Evaluation (2010) and Effective Corporate Boards (2015), from the University of Pennsylvania Wharton School program on Corporate Valuation (2019), and from the Carnegie Mellon University program in Cybersecurity Oversight (2019). Mr. Barbarosh is also a frequent speaker and author on restructuring and governance issues and has published several articles addressing business, governance, and legal topics.

Our Board has concluded that Mr. Barbarosh, a practicing attorney specializing in the area of financial and operational restructuring and related transactions, should serve on our Board because he provides experienced guidance on transactions, securities offerings, compliance, governance, executive compensation, shareholder relationships, leadership coaching and development, and dispute resolution, and because of his extensive background serving in various leadership roles.

Class 1 Directors

| <u>Existing Class 1 Directors</u> | <u>Age</u> | <u>Principal Occupation</u> | <u>Director Since</u> |
|-----------------------------------|------------|-----------------------------|-----------------------|
| Katrina L. Houde | 63 | Director | 2019 |
| Nelson Obus | 74 | Director | 2018 |
| Andrew Powell | 63 | Director | 2018 |
| Catherine A. Sohn, Pharm D. | 68 | Director | 2012 |
| Jeffrey L. Edwards..... | 61 | Director | 2020 |

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.

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

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

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

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

Andrew Powell has served as a member of the Board of Directors since October 2018. Mr. Powell is currently an independent advisor to small and mid-size companies and research institutions in the life sciences sector. He serves on the Board of Directors of Aclaris Therapeutics, Inc. (NASDAQ:ACRS), a clinical stage biopharmaceutical company, since 2017, where he is a member of the Audit and the Nominating and Governance Committees. He also serves on the Board of Directors of Silverback Therapeutics, Inc. (NASDAQ:SBTX), a biopharmaceutical company developing tissue targeted therapies designed to result in life changing outcomes, since 2020, where he is chairman of the Compensation Committee. He has served on the Board of Directors of Synthorx, Inc., a biotechnology company, from December 2018 until January 2020, when that company was acquired by Sanofi-Aventis. He served as Senior Vice President, General Counsel, and Corporate Secretary of Medivation, Inc. from May 2015 until November 2016, when the company was acquired by Pfizer, Inc. Mr. Powell served as Executive Vice President, General Counsel, and Corporate Secretary of InterMune, Inc. from September 2013 to March 2015, when the company was acquired by Roche, Inc. From 2005 to 2013, he served as an executive in various development stage and commercially focused biotechnology companies, including ImClone Systems, Inc., prior to its acquisition by Lilly, Inc. Earlier in his career, Mr. Powell held positions of increasing responsibility for nearly 15 years at the multi-national healthcare and medical solutions company Baxter International, Inc., where he was instrumental in a series of transactions that established Baxter throughout Eastern

Europe, Asia and Latin America. Mr. Powell holds a Bachelor of Arts degree from the University of North Carolina at Chapel Hill and a Juris Doctorate from Stanford Law School.

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

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

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

Jeffrey L. Edwards has served as a member of the Board of Directors since October 2020. Mr. Edwards retired from Allergan, Inc., a multi-specialty health care company, in February 2015 after nearly 22 years at Allergan. Mr. Edwards served as Executive Vice President, Finance and Business Development, Chief Financial Officer of Allergan, Inc. from September 2005 to August 2014. From 2003 to 2005, Mr. Edwards served as Allergan's Corporate Vice President, Corporate Development and previously served as Senior Vice President, Treasury, Tax and Investor Relations. Prior to joining Allergan, Mr. Edwards was with Banque Paribas and Security Pacific National Bank, where he held various senior-level positions in the credit and business development functions. Mr. Edwards currently serves on the Board of Directors and as Audit Committee chairman of FibroGen, Inc, a publicly traded biopharmaceutical company, Clearside Biomedical Inc., a publicly traded pharmaceutical company, where he is a member of the Audit Committee and the Nominating and Corporate Governance Committee, Bio-Rad Laboratories, Inc., a publicly traded life sciences research and clinical diagnostics products company where he serves as the Compensation Committee chairman and as a member of the Audit Committee and the Compliance Committee.

Mr. Edwards has over 30 years of public company experience. We believe that Mr. Edwards' deep financial, capital allocation, and business development experience give him the qualifications and skills to serve as a director.

Board Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE ELECTION OF EACH OF THE FIVE NAMED DIRECTOR NOMINEES SET FORTH ABOVE TO SERVE FOR A TERM EXPIRING AT THE 2023 ANNUAL MEETING AND UNTIL THEIR SUCCESSORS ARE DULY ELECTED AND QUALIFIED.

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors (the “Audit Committee”) has appointed the firm of Ernst & Young LLP as the Company’s independent registered public accounting firm to audit the financial statements of the Company for the fiscal year ending May 29, 2022, 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 30, 2021 and May 31, 2020.

| Fee Category | Fiscal Year 2021 | Fiscal Year 2020 |
|--------------------------|---------------------|---------------------|
| Audit Fees..... | \$ 2,452,200 | \$ 2,586,000 |
| Audit-Related Fees | — | — |
| Tax Fees..... | — | — |
| All Other Fees..... | — | — |
| Total..... | \$ 2,452,200 | \$ 2,586,000 |

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 consultations on matters addressed during the current audit or interim reviews.

Audit Committee Pre-Approval Policies

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

Required Vote

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

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING MAY 29, 2022.

PROPOSAL NO. 3

NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Compensation Discussion and Analysis within the Executive Compensation and Related Information section of this Proxy Statement describes the Company's executive compensation program and the compensation decisions that the Board of Directors and the Compensation Committee of the Board of Directors (the "Compensation Committee") made in fiscal year 2021 with respect to the compensation of our named executive officers. As required by Section 14A of the Exchange Act, we are providing stockholders with a non-binding, advisory vote on the compensation of our named executive officers as described in this proxy statement. The Board of Directors is asking stockholders to cast a non-binding, advisory vote **FOR** the following resolution:

“RESOLVED, that the fiscal 2021 compensation paid to Landec Corporation's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion set forth in Landec Corporation's proxy statement for the 2021 annual meeting of stockholders, is hereby APPROVED on an advisory basis.”

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

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

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

At our 2017 Annual Meeting of Stockholders, the Company's stockholders recommended, on an advisory basis, that the stockholder vote on the compensation of our named executive officers occur every year. In light of the foregoing recommendation, the Company has determined to hold a “say-on-pay” advisory vote every year. Accordingly, our next advisory say-on-pay vote (following the non-binding advisory vote at this Annual Meeting) is expected to occur at our 2022 annual meeting of stockholders.

At the 2020 Annual Meeting of Stockholders, 97% of votes cast expressed support for our compensation policies and practices, and we believe our program continues to be effective.

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

AUDIT COMMITTEE REPORT

Composition

The Audit Committee consists of the 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 each of Ms. Pankopf and Ms. Houde is an audit committee financial expert, as defined by the rules and regulations of the SEC.

Responsibilities

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

Review with Management and Independent Auditors

The Audit Committee held seven meetings during fiscal year 2021. 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 30, 2021 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 30, 2021 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 30, 2021, as filed with the SEC.

This report is submitted by the Audit Committee.

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

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

CORPORATE GOVERNANCE

Board of Directors Meetings and Committees

The Board of Directors held a total of eight meetings during the fiscal year 2021. Each director attended at least 75% of all Board and applicable committee meetings during fiscal year 2021. The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, each of which operates under a written charter approved by the Board of Directors which was reviewed and updated as appropriate in fiscal year 2021. The charter for each of the committees is available on the Company's website (www.landec.com). The Board of Directors also has an ad hoc Special Committee, a Curation Focus Committee, and a Lifecore Focus Committee. It is our policy to encourage the members of the Board of Directors to attend the Company's annual meeting of stockholders. All members of the Board of Directors attended our 2020 Annual Meeting of Stockholders. All information provided below is current as of the record date of August 23, 2021.

The Audit Committee currently consists of Ms. Pankopf (Chairperson), Dr. Sohn, and Ms. Houde. In the determination of the Board of Directors, each of Ms. Pankopf, Dr. Sohn, and Ms. Houde meets the independence requirements of the SEC and NASDAQ applicable to members of the Audit Committee, including the heightened independence requirements for audit committee membership pursuant to SEC requirements, and each meets the financial literacy requirements of the SEC and NASDAQ applicable to members of the Audit Committee. The Board of Directors has also determined that each of Ms. Pankopf and Ms. Houde is an "audit committee financial expert" within the meaning of applicable SEC rules. The Audit Committee assists the Board of Directors in its oversight of Company affairs relating to the quality and integrity of the Company's financial statements, the qualifications and independence of the Company's independent registered public accounting firm, the performance of the Company's internal audit function and independent registered public accounting firm, and the Company's compliance with legal and regulatory requirements. The Audit Committee is responsible for appointing, compensating, retaining and overseeing the Company's independent registered public accounting firm, approving the services performed by the independent registered public accounting firm and reviewing and evaluating the Company's accounting principles and its system of internal accounting controls. The Audit Committee is also responsible for administering our Related Party Transaction Policy, and reviewing and approving all such related party transactions. The Audit Committee held seven meetings during fiscal year 2021. Please see the section entitled "Audit Committee Report" for further matters related to the Audit Committee. The Board has adopted a written charter for the Audit Committee. The Audit Committee reviews the charter annually for changes.

The Compensation Committee currently consists of Ms. Carosella (Chairperson), Mr. Obus, Mr. Powell, and Mr. Edwards. In the determination of the Board of Directors, each of Ms. Carosella, Mr. Obus, Mr. Powell, and Mr. Edwards meets the current independence requirements of the SEC and NASDAQ applicable to members of the Compensation Committee. The function of the Compensation Committee is to review and set the compensation of the Company's CEO and certain of the Company's most highly compensated officers, including salary, bonuses and other cash incentive awards, and other forms of compensation, and to administer the Company's stock plans and approve stock equity awards. The Compensation Committee held twelve meetings during fiscal year 2021. The Board has adopted a written charter for the Compensation Committee. The Compensation Committee reviews the charter annually for changes.

The Nominating and Corporate Governance Committee currently consists of Mr. Powell (Chairperson), Mr. Schechter, Mr. Obus, and Ms. Pankopf, each of whom, in the determination of the Board of Directors, meets the current independence requirements of the SEC and NASDAQ applicable to members of the Nominating and Corporate Governance Committee. The functions of the Nominating and Corporate Governance Committee are to recommend qualified candidates for appointment and election as executive officers and directors of the Company, oversee the Company's corporate governance policies, and lead the annual self-evaluation of the Board of Directors. The Nominating and Corporate Governance Committee held seven meetings during fiscal year 2021. The Board has adopted a written charter for the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee reviews the charter annually for changes.

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

The Special Committee, formed by the Board of Directors in October 2019, currently consists of Mr. Barbarosh (Chairperson), Mr. Obus, Ms. Pankopf and Mr. Powell, each of whom, in the determination of the Board of Directors, meets the current independence requirements of the SEC and NASDAQ. The function of the Special Committee is to oversee the previously disclosed internal investigation relating to potential environmental and Foreign Corrupt Practices Act compliance matters associated with regulatory permitting at the Company's guacamole manufacturing plant in Mexico. The Special Committee held 4 meetings during fiscal year 2021.

The Curation Focus Committee, formed by the Board of Directors in October 2020, currently consists of Ms. Houde (Chairperson), Mr. Barbarosh, Dr. Bolles, Ms. Carosella, Mr. Obus, and Mr. Schechter, each of whom, in the determination of the Board of Directors, with the exception of Dr. Bolles, meets the current independence requirements of the SEC and NASDAQ. The function of the Curation Focus Committee is to provide oversight to the Curation Foods segment.

The Lifecore Focus Committee, formed by the Board of Directors in October 2020, currently consists of Mr. Edwards (Chairperson), Mr. Barbarosh, Ms. Pankopf, Mr. Powell, and Dr. Sohn, 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 Lifecore Focus Committee is to provide oversight to the Lifecore segment.

Corporate Governance

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

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

- (1) All members of the Board of Directors, and all director nominees, are independent, other than Dr. Bolles;
- (2) All members of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee meet the applicable requirements for service on such committees of the SEC and NASDAQ;
- (3) The independent members of the Board of Directors meet at each board meeting, and at least twice per year, in executive sessions without the presence of management or non-independent directors. The Board of Directors has designated Mr. Barbarosh as non-executive Chairperson of the Board, who, among other duties, is responsible for presiding over executive sessions of the independent directors and setting the agenda for each board meeting with the CEO and with input from the independent directors;
- (4) 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
- (5) The Company has adopted a Code of Ethics that applies to all of its directors, officers, and employees (including the Company's principal executive officer, principal financial officer, principal accounting officer, and all members of the Company's finance department). Any substantive amendments to the Code of Ethics or grant of any waiver, including

any implicit waiver, from a provision of the Code of Ethics to the Company's principal executive officer, principal financial officer or principal accounting officer, will be disclosed either on the Company's website or in a Current Report on Form 8-K.

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

Leadership Structure of the Board of Directors

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

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

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

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

Stockholder Communications

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

Oversight of Risk Management

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

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

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

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

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is composed of Ms. Carosella (Chairperson), Mr. Powell, Mr. Obus, and Mr. Edwards. Before his election as President and CEO, Dr. Bolles also served as a member of the Compensation Committee. During fiscal year 2021, 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 Compensation Committee's current members has at any time been an officer or employee of Landec. None of Landec's executive officers currently serve, or in the past fiscal year have served, as members of the Board of Directors or compensation committee of any entity that has one or more of its executive officers serving on Landec's Board of Directors or the Compensation Committee.

Compensation of Directors

The following table sets forth compensation information for fiscal year 2021 for each member of our Board of Directors who was not an executive officer during fiscal year 2021. Dr. Bolles, our President and CEO, does not receive any compensation for his service on the Board of Directors.

| Name | Fee Earned or Paid in Cash | Stock Awards (1) | Other | Total |
|----------------------------------|----------------------------|------------------|-------|------------|
| Craig A. Barbarosh | \$ 106,542 | \$ 90,000 | \$ — | \$ 196,542 |
| Deborah Carosella | \$ 82,083 | \$ 90,000 | \$ — | \$ 172,083 |
| Jeffrey L. Edwards (2) | \$ 43,750 | \$ 56,000 | \$ — | \$ 99,750 |
| Frederick Frank (3) | \$ 22,917 | \$ 90,000 | \$ — | \$ 112,917 |
| Kathy Houde | \$ 71,667 | \$ 90,000 | \$ — | \$ 161,667 |
| Charles Macaluso (4) | \$ 48,333 | \$ 90,000 | \$ — | \$ 138,333 |
| Nelson Obus | \$ 73,792 | \$ 90,000 | \$ — | \$ 163,792 |
| Tonia Pankopf | \$ 84,833 | \$ 90,000 | \$ — | \$ 174,833 |
| Andrew Powell | \$ 98,583 | \$ 90,000 | \$ — | \$ 188,583 |
| Catherine A. Sohn, Pharm.D. | \$ 68,958 | \$ 90,000 | \$ — | \$ 158,958 |
| Joshua Schechter (2) | \$ 40,625 | \$ 56,000 | \$ — | \$ 96,625 |
| Patrick D. Walsh (2), (5) | \$ 46,875 | \$ 56,000 | \$ — | \$ 102,875 |

- (1) The Company's current compensation policy provides for each member of the Board of Directors to receive an annual restricted stock unit ("RSU") award. On May 20, 2020, the annual RSU award was increased from \$80,000 to \$90,000 to better align with the market.
- (2) Mr. Edwards, Mr. Schechter, and Mr. Walsh were elected to the Board of Directors on October 14, 2020. These directors' cash fees and RSU grants are pro-rated from their elections through May 30, 2021.
- (3) Mr. Frank retired from the Board of Directors on October 14, 2020 and his cash fees are pro-rated through that date.
- (4) Mr. Macaluso passed away in February 2021, and his cash fees are pro-rated through that date.
- (5) Mr. Walsh resigned from the Company's Board of Directors on July 27, 2021.

As of May 30, 2021, the aggregate number of shares subject to outstanding RSU awards held by the members of the Board of Directors was: Mr. Barbarosh - 8,303 shares; Ms. Carosella - 8,303 shares; Mr. Frank - 0 shares; Ms. Houde - 8,303 shares; Mr. Macaluso - 0 shares; Mr. Obus - 8,303 shares; Ms. Pankopf - 8,303 shares; Mr. Powell - 8,303 shares; Dr. Sohn - 8,303 shares; Mr. Schechter - 5,398 shares; Mr. Edwards - 5,398 shares and Mr. Walsh - 5,398 shares.

The 2021 annual cash retainer fees paid to non-employee directors of the Company are detailed in the following table:

| Annual Cash Retainer for | Annual Retainer Fees paid |
|--|----------------------------------|
| Non-employee Director | \$50,000 |
| Audit Committee | \$10,000 |
| Curation Focus Committee | \$10,000 |
| Lifecore Focus Committee..... | \$10,000 |
| Compensation Committee..... | \$10,000 |
| Nominating and Corporate Governance Committee..... | \$5,000 |
| Special Committee (1)..... | \$1,000 |

(1) Retainer fee is per meeting. The Special Committee held four meetings during FY21.

In addition to the annual cash retainers paid to members of the committees as described above, for fiscal year 2021, the Company paid annual retainers to each of the chairs of the committee as shown below. In addition, the Chairperson of the Board received a separate annual retainer equal to the amount indicated in the table below:

| Annual Cash Retainer for | Annual Retainer Fees paid |
|--|----------------------------------|
| Chairperson of the Board (1) (2)..... | \$95,000 |
| Audit Committee Chair..... | \$20,000 |
| Curation Focus Committee | \$20,000 |
| Lifecore Focus Committee Chair..... | \$20,000 |
| Compensation Committee Chair (3)..... | \$20,000 |
| Nominating and Corporate Governance Chair..... | \$10,000 |
| Special Committee (4)..... | \$2,000 |

(1) Represents increase effective January 28, 2021.

(2) At the 2020 Annual Meeting, the Mr. Barbarosh became Chairperson of the Board. Fees for FY21 are prorated between Mr. Barbarosh and the former Chairperson, Mr. Powell.

(3) Represents increase effective October 12, 2020.

(4) Retainer fee is per meeting. The Special Committee held four meetings during FY21.

Consistent with the general industry trend toward fixed-value RSU awards, each non-employee director receives an annual RSU award with a fair market value of \$90,000, based on the fair market value of the Company's Common Stock on the date of the grant, vesting on the first anniversary of the date of grant.

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

Stock Ownership Requirement

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

Newly - elected directors have five years from the date they are elected to meet these guidelines. In the event a non-employee director's cash retainer increases, he or she will have two years from the date of the increase to acquire any additional shares or RSUs needed to meet the guidelines. Until the required ownership level is reached, directors are required to retain 50%

of net shares acquired upon any future vesting of RSUs and/or exercise of stock options, after deducting shares used to pay the exercise price.

Executive Officers of the Company

The following sets forth certain information with regard to each named executive officer and each executive officer of the Company for fiscal year 2021. Ages are as of August 23, 2021.

Albert D. Bolles, Ph.D. (age 63) is President and Chief Executive Officer (“CEO”) of the Company and has served as a member of the Board of Directors since May 2014. Dr. Bolles also currently serves on the Board of Directors of SunOpta, Inc (NASDAQ:STKL), where he is a member of its Corporate Governance Committee, and serves as a director of Arcadia Biosciences, Inc. (NASDAQ:RKDA), where he is a member of its Nominating and Corporate Governance Committee. Prior to becoming the Company’s President and CEO on May 23, 2019, Dr. Bolles was Chairperson of the Company's ad hoc Food Innovation Committee and a member of the Company's Compensation and Nominating and Corporate Governance Committees. From April 2014 until August 2015, Dr. Bolles served as Executive Vice President, Chief Technology & Operations Officer of ConAgra Foods, Inc. (now Conagra Brands, Inc. (NYSE:CAG)) ("ConAgra"), a leading consumer products food company with net sales exceeding \$16 billion. Prior to this role, Dr. Bolles was Executive Vice President, Research, Quality and Innovation for ConAgra, championing the development and execution of multiple new and improved products, realizing incremental growth for ConAgra and facilitating a multi-year pipeline to sustain and advance growth further. Prior to joining ConAgra in 2006, Dr. Bolles served as Vice President, Worldwide R&D for the Beverages and Foods division of PepsiCo, Inc. (NASDAQ:PEP), responsible for global R&D leadership for beverages (Pepsi, Gatorade, and Tropicana) and Quaker Foods including product, process, package and sensory R&D, Nutrition, Quality, and Scientific & Regulatory Affairs. His prior employment was with Gerber Foods for over 8 years with his last role being its R&D Director, overseeing infant and toddler global research and development. Dr. Bolles has a Ph.D. and Masters of Science in Food Science, and a Bachelor of Science in Microbiology, all from Michigan State University.

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

John D. Morberg (age 57) has been the Chief Financial Officer and Secretary of the Company since January 18, 2021. Prior to joining the Company, Mr. Morberg was CFO and General Counsel for BL Restaurant Holdings, LLC, a national restaurant chain. Prior to that, over a ten-year tenure at Garden Fresh Restaurant Corp, he held various roles, including as the CEO, CFO and General Counsel, and a board member. He also served as CFO of DEI Holdings, Inc., through its initial public offering and through the early stages of being a public company, and worked for eight-years as Vice President and Controller of Petco. Mr. Morberg began his career at KPMG.

James G. Hall (age 58) has been a Vice President of the Company and President of Lifecore since June 2017. At Lifecore, Mr. Hall served as Vice President and General Manager from July 2013 to June 2017; Vice President of Operations from 2006 to 2013; Director of Manufacturing Operations and Engineering from 2001 to 2006; and the Manager of Engineering and Operations from 1999 to 2001. From 1995 until joining Lifecore in 1999, Mr. Hall was Manager of Pre-Clinical and Clinical supply for Protein Design Labs, a biotechnology company focusing on humanizing monoclonal antibodies. Prior to joining Protein Design Labs in 1995, Mr. Hall held various engineering positions within Lifecore beginning in 1989. Mr. Hall has over 32 years of pharmaceutical and combination product manufacturing and development experience.

Timothy P. Burgess (age 58) has been a Vice President of the Company and Senior Vice President of Supply Chain with Curation Foods since May 28, 2019. Prior to joining Curation Foods, Mr. Burgess was Vice President Global Manufacturing from February 2018 until March 2019 at Trident Seafood, the largest privately held seafood company in the United States. From March 2006 to February 2018 Mr. Burgess served as Vice President of Supply Chain APAC for Mead Johnson Nutrition, a pediatric nutrition company based in Singapore. Earlier in his career Mr. Burgess was plant manager for Dannon and Basic Vegetable Products.

COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of the Company's Common Stock as of August 23, 2021 as to (i) each person who is known by the Company to beneficially own more than five percent of any class of the Company's voting stock, (ii) each of the Company's directors, (iii) each of the executive officers named in the Summary Compensation Table of this proxy statement (the "Named Executive Officers"), and (iv) all directors and executive officers as a group. The business address of each director and executive officer named below is c/o Landec Corporation, 2811 Airpark Drive, Santa Maria, CA 93455.

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

| Name | Shares Beneficially Owned | | Percentage of Common Stock Beneficially Owned (1) |
|--|---|------|---|
| | Total Number of Shares Beneficially Owned | | |
| <u>Holders of more than 5% of our Common Stock</u> | | | |
| Wynnefield Capital, Inc..... | 3,190,305 | (2) | 10.83% |
| Legion Partners Asset Management, LLC..... | 2,904,340 | (3) | 9.86% |
| Dimensional Fund Advisors LP..... | 2,219,361 | (4) | 7.53% |
| Blackrock, Inc..... | 2,091,030 | (5) | 7.10% |
| The Vanguard Group, Inc. | 1,671,841 | (6) | 5.67% |
| Cove Street Capital, LLC..... | 1,608,618 | (7) | 5.46% |
| <u>Non-Employee Directors:</u> | | | |
| Craig A. Barbarosh | 13,804 | (8) | * |
| Deborah Carosella | 29,529 | (9) | * |
| Jeffrey Edwards | 5,398 | (10) | * |
| Katrina L. Houde | 15,637 | (11) | * |
| Nelson Obus | 3,190,305 | (12) | 10.83% |
| Tonia Pankopf..... | 52,540 | (13) | * |
| Andrew Powell | 20,418 | (14) | * |
| Joshua E. Schechter | 5,398 | (15) | * |
| Catherine A. Sohn, Pharm.D. | 47,010 | (16) | * |
| <u>Named Executives Officers</u> | | | |
| Albert D. Bolles, Ph.D. | 215,138 | (17) | * |
| John D. Morberg..... | 19,400 | | * |
| Brian F. McLaughlin | 17,053 | | * |
| James G. Hall..... | 239,407 | (18) | * |
| Timothy P. Burgess | 23,649 | (19) | * |
| Dawn Kimball..... | 24,679 | (20) | * |
| <u>All current directors and executive officers as a group (13 persons)</u> | 3,877,633 | (21) | 13.16% |
| * Less than 1% | | | |

- (1) As of August 23, 2021, 29,461,710 shares of Common Stock were issued and outstanding. Percentages are calculated with respect to a holder of options exercisable within 60 days after August 23, 2021 as if such holder had exercised his options. Options held by other holders are not included in the percentage calculation with respect to any other holder.
- (2) This information is based on a Schedule 13D/A filed by Wynnefield Partners Small Cap Value, L.P. I (“Wynnefield Partners I”), Wynnefield Partners Small Cap Value, L.P. (“Wynnefield Partners”), Wynnefield Small Cap Value Offshore Fund, Ltd. (“Wynnefield Offshore”), Wynnefield Capital, Inc. Profit Sharing Plan (“Wynnefield Plan”), Wynnefield Capital Management, LLC (“WCM”), Wynnefield Capital, Inc. (“WCI”) and Nelson Obus and Joshua H. Landes (collectively, the “Wynnefield Investors”) on April 20, 2021, and is as of April 12, 2021. According to the Schedule 13D/A, (i) Wynnefield Partners I has sole voting and sole dispositive power over 1,400,345 shares of the Company’s common stock; (ii) Wynnefield Partners has sole voting and sole dispositive power over 901,594 shares of the Company’s common stock; (iii) Wynnefield Offshore has sole voting and sole dispositive power over 659,388 shares of the Company’s common stock; (iv) Wynnefield Plan has sole voting and sole dispositive power over 184,560 shares of the Company’s common stock; (v) WCM has sole voting and sole dispositive power over 2,301,939 shares of the Company’s common stock; (vi) WCI has sole voting and sole dispositive power over 659,388 shares of the Company’s common stock; (vii) Nelson Obus has shared voting and shared dispositive power over 3,190,305 shares of the Company’s common stock, and (viii) Joshua H. Landes has shared voting and shared dispositive power over 3,145,887 shares of the Company’s common stock. The address for each of the Wynnefield Investors is 450 Seventh Avenue, Suite 509, New York, New York 10123.
- (3) This information is based on a Schedule 13D/A filed by Legion Partners, L.P. I, Legion Partners, L.P. II, Legion Partners, LLC, Legion Partners Asset Management, LLC, Legion Partners Holdings, LLC, Christopher S. Kiper and Raymond T. White (the “Legion Investors”) on August 24, 2020, and is as of August 21, 2020. According to the Schedule 13D/A, (i) Legion Partners, L.P. I, has shared voting and shared dispositive power over 2,772,956 shares of the Company’s common stock; (ii) Legion Partners, L.P. II, has shared voting and shared dispositive power over 131,184 shares of the Company’s common stock; (iii) each of Legion Partners, LLC and Legion Partners Asset Management, LLC has shared voting and shared dispositive power over 2,904,140 shares of the Company’s common stock, and (iv) each of Legion Partners Holdings, LLC, Christopher S. Kiper and Raymond T. White has shared voting and shared dispositive power over 2,904,340 shares of the Company’s common stock. The address for each of the Legion Investors is 12121 Wilshire Blvd, Suite 1240, Los Angeles, CA 90025.
- (4) This information is based on a Schedule 13G/A filed by Dimensional Fund Advisors LP (“Dimensional Fund”) on February 12, 2021, and is as of December 31, 2020. According to the Schedule 13G/A, Dimensional Fund has sole voting power over 2,147,474 shares of the Company’s common stock, and sole dispositive power over 2,219,361 shares of the Company’s common stock. The address for Dimensional Fund is Building One, 6300 Bee Cave Road, Austin, Texas, 78746.
- (5) This information is based on a Schedule 13G/A filed by Blackrock, Inc. (“Blackrock”) on January 29, 2021, and is as of December 31, 2020. According to the Schedule 13G/A, Blackrock has sole dispositive power over 2,091,030 shares of the Company’s common stock, and sole voting power over 2,052,230 shares of the Company’s common stock. The address for Blackrock is 55 East 52nd Street, New York, NY 10055.
- (6) This information is based on a Schedule 13G/A filed by The Vanguard Group (“Vanguard”) on February 10, 2021, and is as of December 31, 2020. According to the Schedule 13G/A, Vanguard has shared voting power over 38,809 shares of the Company’s common stock, sole dispositive power over 1,614,091 shares of the Company’s common stock, and shared dispositive power over 57,750 shares of the Company’s common stock. The address for Vanguard is 100 Vanguard Blvd., Malvern, PA 19355.
- (7) This information is based on a Schedule 13G filed by Cove Street Capital (“Cove Street”) and Jeffrey Bronchick on March 25, 2021, and is as of March 25, 2021. According to the Schedule 13G, (i) Cove Street has shared voting power over 1,124,904 shares of the Company’s common stock, and shared dispositive power over 1,608,618 shares of the Company’s common stock, and (ii) Jeffrey Bronchick has shared voting power over 1,124,904 shares of the Company’s common stock, and shared dispositive power over 1,608,618 shares of the Company’s common stock. The address for Cove Street is 2101 E El Segundo Boulevard, Suite 302, El Segundo, CA 90245.
- (8) This number includes 8,303 shares subject to outstanding RSU's vesting within 60 days after August 23, 2021.
- (9) This number includes 8,303 shares subject to outstanding RSU's vesting within 60 days after August 23, 2021.
- (10) This number includes 5,398 shares subject to outstanding RSU's vesting within 60 days after August 23, 2021.

- (11) This number includes 8,303 shares subject to outstanding RSU's vesting within 60 days after August 23, 2021.
- (12) This number includes 3,190,305 shares reported on Form 13D/A filed by Wynnefield Capital, Inc. showing such beneficial owner's holdings as of April 12, 2021. This number includes the right to buy 8,303 RSU's that are exercisable within 60 days of April 12, 2021. Mr. Obus is a General Partner of Wynnefield Capital, Inc.
- (13) This number includes 8,303 shares subject to outstanding RSU's vesting within 60 days after August 23, 2021.
- (14) This number includes 8,303 shares subject to outstanding RSU's vesting within 60 days after August 23, 2021.
- (15) This number includes 5,398 shares subject to outstanding RSU's vesting within 60 days after August 23, 2021.
- (16) This number includes 8,303 shares subject to outstanding RSU's vesting within 60 days after August 23, 2021.
- (17) This number includes 169,986 shares subject to outstanding stock options exercisable within 60 days after August 23, 2021.
- (18) This number includes 200,256 shares subject to outstanding stock options exercisable within 60 days after August 23, 2021.
- (19) This number includes 13,504 shares subject to outstanding stock options exercisable within 60 days after August 23, 2021.
- (20) This number includes 15,000 shares subject to outstanding stock options exercisable within 60 days after August 23, 2021.
- (21) This number includes an aggregate of 383,746 shares held by all current executive officers, directors and director nominees that are subject to outstanding stock options exercisable within 60 days after August 23, 2021.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis (“CD&A”) describes the philosophy, objectives and structure of our fiscal 2021 executive compensation program. This CD&A is intended to be read in conjunction with the tables that immediately follow this section, which provide further historical compensation information.

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

| | |
|--------------------------------------|--|
| Albert D. Bolles, Ph.D. | President and CEO |
| John D. Morberg (1) | Chief Financial Officer and Secretary |
| Brian McLaughlin (2) | Former Vice President of Finance and Administration, and Chief Financial Officer |
| James G. Hall | Vice President of the Company and President of Lifecore |
| Timothy Burgess | Senior Vice President of Supply Chain |
| Dawn Kimball (2) | Former Senior Vice President of Human Resources, Chief People Officer |

- (1) On January 18, 2021, Mr. Morberg became CFO of the Company,
- (2) Mr. McLaughlin separated from the Company on January 18, 2021. Ms. Kimball separated from the Company on March 12, 2021.

CD&A Reference Guide

| | |
|---|-------------|
| Executive Summary | Section I |
| Compensation Philosophy and Objectives..... | Section II |
| Establishing Executive Compensation..... | Section III |
| Compensation Competitive Analysis..... | Section IV |
| Elements of Compensation | Section V |
| Additional Compensation Practices and Policies..... | Section VI |

I. Executive Summary

Strategy

Our goal remains to deliver value to all stakeholders by maximizing growth across our entire portfolio of businesses, while simultaneously respecting and preserving the planet for future generations. To this end, we will continue to focus on activities for advancing profitable growth, operational excellence, consumer and customer driven innovations, greater sustainability, and exceptional care of all people. Landec is a diversified health and wellness company with two operating businesses, Lifecore and Curation Foods. The strategy for each operating business is described below.

Lifecore

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

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

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

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

Curation Foods

Curation Foods, the Company's natural food business, is focused on transforming its business to improve operating performance. Curation Foods is focused on driving profitable growth through innovation that is driven by consumer insights. The Company launched its shareholder value creation program, Project SWIFT, which aims to strengthen Curation Foods by simplifying the business, optimizing its operational network and rightsizing the organization. The Company believes that the decisive actions of Project SWIFT will help improve the Company's operating cost structure, enhance profitability, and strengthen its balance sheet with an overall aim to deliver long-term value to stockholders. Curation Foods intends to continue to deliver high levels of product quality and safety, while successfully executing on its customer, grower, and partner commitments. Project SWIFT will continue to be implemented throughout fiscal 2022, with three strategic priorities designed to improve Curation Foods' overall financial performance and profitability:

1) *Network & Operational Optimization*: Streamline the organization to maximize efficiency and productivity by continuous improvement in plant operations with lean manufacturing practices. This included the consolidation and centralization of various offices of Curation Foods into its Innovation Center headquarters in Santa Maria, California in fiscal 2020. In fiscal 2021 the Company engaged in a strategic logistics partnership with Castellini Company LLC to improve Curation Foods efficiency through increased distribution frequency, further market reach, and reduced operating costs.

2) *Focus on Strategic Assets*: Simplify the business by divesting non-core assets. In fiscal 2020 the Company initiated the strategic sale process of the Company's Ontario, California salad dressing manufacturing facility, which had yet to become operational, and a review of strategic options for of its legacy core vegetable bag and tray business. In the first quarter of fiscal year 2021, the Company sold its interest in Ontario for net proceeds of \$4.9 million. In June 2020 the Company began exploring opportunities for the planned divestiture of its underutilized Hanover manufacturing facility, and during the second quarter of fiscal year 2021, the Company sold the Hanover building and assets related thereto for net proceeds of \$8.0 million. In fiscal 2021 the Company completed negotiations (which subsequently closed in the first quarter of fiscal 2022) wherein the Company completed the sale of all of its equity interests in Windset Holdings 2010 Ltd. ("Windset") for a purchase price of \$45.1 million, and simultaneously reduced debt by \$41.2 million, which reflected net proceeds after early repayment fees.

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

Our executive compensation program has been structured by the Compensation Committee of the Board of Directors to reward and incentivize executives to create long-term, sustainable stockholder value growth through a focus on corporate, business unit, and individual achievement. The performance metrics used, and the targets set, reflect our updated business strategy. Highlights of our fiscal year 2021 compensation program include:

- **Added Performance-Based Contingent RSUs to the CEO Compensation Program**

As further discussed below, the Compensation Committee determined that all of the equity granted to the CEO in fiscal year 2021 would consist of performance-based RSUs that are eligible to vest based on either (i) increasing total shareholder return ("TSR") over up to a four-year period (target = 18,000 RSUs) or (ii) achieving predetermined strategic priorities over up to a three-year period (target = 48,000 RSUs). The Compensation Committee believes that the performance-based RSUs granted to the CEO will align his rewards with achievement of key internal goals and resulting shareholder return.

- **Continued Use of a Short-term Incentive Compensation Program**

Our short-term incentive program is designed to focus our executives on the achievement of annual objectives which we believe will drive the delivery of enhanced stockholder value over the long term. At Lifecore, 100% of the fiscal year 2021 annual cash incentive award was based on Lifecore exceeding minimum Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) of \$26.8 million, with a maximum payout of 200% of target. Lifecore exceeded the minimum Adjusted EBITDA threshold and earned a bonus in fiscal year 2021. At Curation Foods and for employees tied to Landec

Corporate (including the CEO and CFO), the fiscal year 2021 annual cash incentive award was based on exceeding minimum Adjusted EBITDA of \$23.8 million at Curation Foods and of \$36.6 million at the Landec Corporate level, respectively, and the available bonus pool was capped at 150% of the established target bonus levels for all plan participants. Significant progress was made to transform Curation Foods, but the minimum Adjusted EBITDA thresholds were not exceeded and no bonuses were earned under the Curation Foods or Landec Corporate incentive plans. The Compensation Committee recognized the transformation progress made and that Adjusted EBITDA (for both Curation Foods and the Company) was above guidance provided during the year, and exercised its discretion to fund a bonus pool at 46% of target. This was allocated to the Named Executive Officers at 50% or less of their target bonus levels (as well as to other employees who are not Named Executive Officers), with the exception of the recently hired CFO, whose performance during a partial year was viewed by the Compensation Committee as higher than Corporate performance during the full fiscal year.

- **Continued Strong Stockholder Support for Our Pay Program**

At the 2020 Annual Meeting of Stockholders, once again, we received strong support for our say-on-pay proposal (over 97%). Our Compensation Committee believes this reflects stockholders' support for our pay-for-performance philosophy and practice.

Components of Our Compensation Program

The Compensation 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 Compensation Committee judges that a change is warranted due to changes in an executive officer's responsibilities, demonstrated performance or relevant market data. |
| Short-Term Incentives | Funding of the fiscal year 2021 annual cash incentive pool at target was dependent upon achieving Adjusted EBITDA of \$41.8 million for Landec Corporate executives, and \$27.2 million for Curation Foods employees. The maximum payout was 150% of their target bonus for all plan participants. The Lifecore annual cash incentive award plan was based on achieving target Adjusted EBITDA of \$28.7 million, with a maximum payout of 200% of target. |
| Long-Term Incentives | Long-term equity awards provide an incentive to executives to increase long-term stockholder value, while also providing a retention vehicle for our executives. While both time-based RSUs and performance based RSUs were awarded to certain Named Executive Officers during fiscal year 2021, the Compensation Committee maintained the existing structure of the equity component of the long-term incentive plan to primarily include stock options, because it views the inherent requirement to increase stock price in order to realize value as performance based and aligned with Landec's transformation plan. |

Compensation Governance Practices

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

Best Practices We Employ

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

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

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

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

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

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

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

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

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

Say on Pay Voting Results

At the 2020 Annual Meeting of Stockholders, our say-on-pay proposal received strong support, garnering support from over 97% of votes cast. This is consistent with the voting results of 2019, 2018 and 2017, which had support levels of, 98%, 98%, and 96%, respectively. The Compensation Committee is pleased with these results and believes they reflect stockholder support for our past executive compensation philosophy, policies and programs.

II. Compensation Philosophy and Objectives

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

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

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

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

III. Establishing Executive Compensation

Landec's executive compensation program is overseen and administered by the Compensation Committee, which is comprised entirely of independent directors as determined in accordance with applicable NASDAQ and SEC rules. The Compensation Committee operates under a written charter adopted by our Board of Directors. A copy of the Compensation 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 Compensation Committee takes into consideration a number of objective factors related to Landec's performance, such as earnings per share, profitability, revenue growth and business-unit-specific operational and financial performance, as well as the competitive practices among its peer group. The Compensation 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 Compensation Committee meets regularly to review overall executive compensation. The Compensation Committee also meets with Landec's President and CEO and other executives to obtain recommendations with respect to Company compensation programs, practices and packages for executives and other employees. The CEO makes recommendations to the Compensation Committee on the base salary, annual cash incentive targets and equity compensation for the executive team and other employees, but not for herself or himself. The Compensation Committee, however, has the ultimate responsibility for determining executive compensation.

Role of the Compensation Consultant

The Compensation Committee retained Frederic W. Cook & Co ("FW Cook") to provide consulting services in fiscal year 2021, including advice on the compensation philosophy, incentive plan designs, executive compensation analysis, and CD&A disclosure, among other compensation topics. FW Cook provides no services to the Company other than consulting services provided to the Compensation Committee.

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

IV. Compensation Competitive Analysis

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

Fiscal Year 2021 Peers

To assist in determining compensation for fiscal year 2020 and fiscal year 2021, FW Cook helped the Compensation Committee to confirm the companies similar to Landec with respect to sector, market capitalization and revenue to provide a broad perspective on competitive pay levels and practices. This determination of the peer group companies occurred in late 2019, during fiscal year 2020, and the peer group was not changed during fiscal year 2021.

- **Sector:** Healthcare, consumer staples, contract development and manufacturing organizations, and excluding companies within the chemical industry.
- **Revenue:** Revenue between \$100 million and \$1.4 billion, viewed as reasonable and the size from which Landec (at \$544 million in annual revenues) may recruit executives.
- **Market Capitalization:** Range between \$250 million and \$4.40 billion in the prior fiscal year, which is approximately 0.9x to 15x Landec’s market capitalization, which is viewed as understated during the transformation.

Using these criteria, the Compensation Committee determined that the following 12 companies comprised the Company’s 2021 peer group:

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

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

The Compensation Committee does not benchmark compensation to a particular level, but rather uses competitive market data as a 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 Compensation Committee analyzes base pay, target cash compensation and target total direct compensation within this broader context.

The CEO’s salary during fiscal year 2021 was at median, with equity and total compensation value that was below the median.

V. Elements of Compensation

As outlined above, there are three major elements that comprise Landec’s executive compensation program: (i) base salary; (ii) annual cash incentive opportunities; and (iii) long-term incentives, in the form of stock options and RSUs and, with respect to the CEO, performance-based RSUs.

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. The CEO's fiscal year 2021 salary was consistent with the median of the peer data reviewed by the Compensation Committee. In determining base salary, the Compensation 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

In fiscal years 2021 and 2020, annual base salaries for our named executive officers were as follows:

| Name | FY 2021 | FY 2020 | % Change |
|-------------------------------|------------|------------|----------|
| Albert D. Bolles, Ph. D..... | \$ 638,600 | \$ 620,000 | 3.0 % |
| John D. Morberg (1)..... | \$ 410,000 | \$ — | N/A |
| Brian F. McLaughlin (2) | \$ 350,000 | \$ 350,000 | — % |
| James G. Hall | \$ 371,315 | \$ 350,000 | 6.1 % |
| Timothy Burgess | \$ 334,800 | \$ 325,000 | 3.0 % |
| Dawn Kimball (2)..... | \$ 309,000 | \$ 300,000 | 3.0 % |

(1) Mr. Morberg became CFO on January 18, 2021.

(2) Mr. McLaughlin separated from the company on January 18, 2021. Ms. Kimball separated from the Company on March 12, 2021.

Annual Cash Incentive Award Plan

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

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

Award targets are set as a percentage of base salary. Incentive award targets and ranges are typically set early in each fiscal year, together with performance goals. 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 Compensation Committee.

Fiscal Year 2021 Cash Incentive Award Plan

The Cash Incentive Award Plan for fiscal year 2021 included financial objectives for the consolidated Company, Curation Foods, and Lifecore. The financial objective used for all three was Adjusted EBITDA based on the internal plan. Adjusted EBITDA was used as the metric because it requires both top line revenue and cost control which are viewed as inputs for creating shareholder value.

The 2021 Landec Corporate plan was based on Landec exceeding a minimum consolidated Adjusted EBITDA of \$36.6 million, and the Curation Foods plan was based on Curation Foods exceeding a minimum Curation Foods Adjusted EBITDA of

\$23.8 million. The 2021 Lifecore plan was based on Lifecore exceeding a minimum of Lifecore Adjusted EBITDA of \$26.8 million. For fiscal year 2021, the target annual cash incentive award was 100% of base salary for Mr. Bolles, and the other Named Executive Officers' target incentive awards ranged from 50% to 80% of their base salary.

Performance Goals

In fiscal year 2021, performance measures were broken into two categories:

Landec and Curation Foods: Target Adjusted EBITDA of \$41.8 million for Landec employees (including the CEO and CFO) and \$27.2 million for Curation employees (Mr. Burgess). Adjusted EBITDA is defined as Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), excluding restructuring charges, other non-recurring charges, and management fees, and including the cost of bonuses. EBITDA for Curation assets sold mid-year is included on a pro-forma basis at the higher of budget for asset or actual EBITDA through the date of sale.

Lifecore: Target Adjusted EBITDA of \$28.7 million. Adjusted EBITDA is defined as EBITDA, excluding restructuring charges, other non-recurring charges, and management fees, and including the cost of bonuses.

The Landec Corporate and Curation Foods annual cash incentive funding schedule was as follows, expressed as a percent of target bonus (linear interpolation between all points shown):

| | <u>FY21 Adjusted EBITDA (\$000)</u> | | <u>% Adjusted EBITDA Goal</u> | <u>% of Target Bonus Earned</u> |
|-----------|-------------------------------------|-----------------|-------------------------------|---------------------------------|
| | <i>Landec</i> | <i>Curation</i> | | |
| Cap | \$43,890 | \$28,560 | 105.0% | 150% |
| | \$42,845 | \$27,880 | 102.5% | 125% |
| Goal | \$41,800 | \$27,200 | 100.0% | 100% |
| | \$40,755 | \$26,520 | 97.5% | 80% |
| | \$39,710 | \$25,840 | 95.0% | 60% |
| | \$38,665 | \$25,160 | 92.5% | 40% |
| | \$37,620 | \$24,480 | 90.0% | 20% |
| Threshold | \$36,575 | \$23,800 | 87.5% | 0% |

The Lifecore annual cash incentive funding schedule was as follows, expressed as a percent of target bonus (linear interpolation applied between points shown):

| | <u>FY21 Adjusted EBITDA (\$000)</u> | <u>% Adjusted EBITDA Goal</u> | <u>% of Target Bonus Earned</u> |
|-----------|-------------------------------------|-------------------------------|---------------------------------|
| | <i>Lifecore</i> | | |
| Cap | \$34,440 | 120.0% | 200% |
| | \$31,570 | 110.0% | 150% |
| Goal | \$28,700 | 100.0% | 100% |
| | \$28,413 | 99.0% | 85% |
| | \$28,126 | 98.0% | 70% |
| | \$27,839 | 97.0% | 55% |
| | \$27,552 | 96.0% | 40% |
| | \$27,265 | 95.0% | 25% |
| | \$26,978 | 94.0% | 10% |
| Threshold | \$26,787 | 93.3% | 0% |

Fiscal Year 2021 Earned Annual Cash Incentives

Fiscal year 2021 actual Adjusted EBITDA performance for Landec was \$31.4 million. This was below the \$36.6 million minimum Adjusted EBITDA required under the fiscal year 2021 cash incentive plan for Landec Corporate. Fiscal year 2021 actual Adjusted EBITDA performance for Curation Foods was \$11 million. This was below the \$23.8 million minimum Adjusted EBITDA required under the fiscal year 2021 cash incentive plan for Curation Foods. As such, no cash incentive awards were paid to Curation Foods or Landec Corporate employees for fiscal year 2021 under the Landec Cash Incentive Award Plan.

However, the Compensation Committee evaluated the performance of the Named Executive Officers during fiscal year 2021 and exercised its discretion to fund the bonus pool at 46% of target. The Compensation Committee awarded each Named Executive Officer a cash bonus award outside of the Landec Cash Incentive Award Plan to recognize each individual's contributions to the Company and leadership provided during fiscal year 2021. The Compensation Committee also considered a number of factors related to leading the multi-year turnaround, including:

- Fiscal year 2021 Adjusted EBITDA increased 43% at Landec and Adjusted EBITDA increased 148% at Curation Foods;
- Landec stock price performance improved during fiscal year 2021, and exceeded the S&P 500 for the same period;
- Market and economic issues occurred that were outside the control of management caused by the COVID 19 pandemic;
- Considerable progress was made towards completing the integration of closed facilities during the fiscal year 2021, including the closure of Vero Beach, Hanover and Rock Hill facilities;
- Management completed the debt refinancing of its credit facilities that matured during the year; and
- Management negotiated the early put/call exercise of its investment interests in Windset Farms, which monetized \$45.1 million more than one year ahead of schedule and de-levered the balance sheet by paying down \$41.2 million of debt.

The Compensation Committee awarded the Named Executive Officers bonuses at 25% to 50% of the target levels (with the exception of the recently hired CFO, John Morberg) based on its assessment of individual performance towards the turnaround goals and the manner in which each of the Named Executive Officers performed in their function.

The amount of each award was based primarily on the Named Executive Officer's performance, the level of responsibilities and internal equity. The Compensation Committee noted the following achievements:

- In determining Dr. Bolles' award, the Compensation Committee noted the overall Adjusted EBITDA increases during the COVID-19 pandemic and the steps taken to improve the position of the Company under the framework of Project SWIFT, continued progress in expense control, debt repayment, and growth in avocado products gross margins. The Compensation Committee also considered that Dr. Bolles had completed only the second year of his tenure as CEO and that the turnaround required at the Company is substantial and will take several years.
- In determining Mr. Morberg's award, the Compensation Committee noted the significant achievement in completing the early Windset investment sale and early retirement of debt, as well as the immediate level of additional financial discipline and leadership he brings. The Compensation Committee was also aware that Mr. Morberg had no ability to affect the incentive plan goal-setting because he was hired during the fiscal year, which was the reason that his bonus was pro-rated for five months of service.
- In determining Mr. Burgess' award, the Compensation Committee noted the completion of the new strategic logistics agreement and integration of closed facilities.
- In determining Mr. Hall's award, the Compensation Committee approved him the amount required to be paid under the Lifecore annual cash incentive plan for which Mr. Hall achieved a bonus of 109% of target bonus under the formula with Lifecore Adjusted EBITDA achievement of \$29.3 million.

The Compensation Committee did not make discretionary awards for Mr. McLaughlin and Ms. Kimball as both executives departed the Company prior to the approval of the annual cash incentive awards.

Based on the metrics and actual performance described above, the Named Executive Officers' target annual incentive awards and actual amounts earned for fiscal year 2021 were as follows (Mr. Morberg's award was pro-rated to reflect his partial year of employment with our Company):

| Name | Target as % of Base Salary | Target (\$) | Actual 2021 Cash Award (\$) |
|-----------------------------|-------------------------------|-------------|-----------------------------------|
| Albert D. Bolles, PhD | 100% | \$638,600 | \$319,300 |
| John D. Morberg | 55% | \$225,500 | \$85,416 |
| James G. Hall | 80% | \$297,052 | \$315,589 |
| Timothy Burgess | 50% | \$167,400 | \$83,750 |

Long-Term Incentive Compensation

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

Award Types

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

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

In fiscal year 2021, the Compensation Committee primarily utilized stock options because they are a simple way to ensure that executives realize a reward only in the event that stockholders experience stock price appreciation.

However, the Compensation Committee also approved a grant to the CEO of only performance-based RSUs, earned over up to a four-year period for TSR performance (target = 18,000 shares) or over up to a three-year period for achievement of measurable multi-year strategic priorities (target = 48,000 shares). The CEO's equity award was 100% performance-contingent to focus on the most critical performance items for turnaround success and shareholder value creation.

Equity Grants in Fiscal Year 2021

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

During fiscal year 2021, the Compensation Committee granted time-based equity awards to certain executive officers in the form of stock options and RSUs. The RSUs will vest in full on the third anniversary of the grant date and the stock options will vest as follows: one-third vests on the first anniversary of the grant date and then 1/36th of the remaining unvested amount vests each month thereafter.

| Name | Stock Options (#) | RSUs (#) |
|-------------------------------|-------------------|----------|
| Albert D. Bolles, Ph.D | — | — |
| John D. Morberg | 100,000 | 17,500 |
| Brian F. McLaughlin (1) | 70,000 | — |
| James G. Hall | 52,500 | 3,574 |
| Timothy Burgess | 35,000 | — |
| Dawn Kimball (2) | 31,500 | — |

- (1) Mr. McLaughlin was granted an award of 70,000 options on July 20, 2020 while serving as CFO. Mr. McLaughlin separated from the Company on January 18, 2021, and a portion of these options were accelerated in connection with his separation.
- (2) Ms. Kimball was granted an award of 31,500 options on July 20, 2020, while serving as Chief People Officer. Ms. Kimball separated from the Company on March 12, 2021 and a portion of these options were accelerated in connection with her separation.

The awards to Mr. McLaughlin, Mr. Burgess, and Ms. Kimball had grant date fair values, as disclosed in the Summary Compensation Table, which were generally at or below the median compensation of our peer group to reflect their payout potential and the fact that Landec market capitalization is lower than the median peer group market capitalization. The awards to Mr. Hall, when taken together, had grant date fair value, as disclosed in the Summary Compensation Table, which was slightly above the median of our peer group to reflect the importance of Lifecore to Landec's future and his strong performance, particularly ensuring that the Lifecore business unit continued to remain and grow its profitability. The awards to Mr. Morberg were new hire grants and, when taken together, larger than a typical annual award, in order to attract him to the Company and to provide ownership alignment with shareholders.

On September 30, 2020, the Compensation Committee approved the grant of a performance-based RSU award to Dr. Bolles. The award consists of two tranches: (i) a target grant of 18,000 performance-based RSUs that are eligible to vest based on achievement of pre-determined stock price goals over up to four years (the "TSR-Vesting PSUs"), and (ii) a target award of 48,000 performance-based RSUs that are eligible to vest based on achievement of pre-determined strategic priorities over up to three years (the "Strategic Priority PSUs" and, together with the TSR-Vesting PSUs, the "PSUs"). The award covers an aggregate of 66,000 RSUs based on the achievement of target performance goals, with the opportunity to earn and vest in up to 165,000 RSUs if maximum performance goals are achieved.

The value of the CEO's total compensation with 100% of the equity granted contingent on performance was below the median of peer data provided by FW Cook to the Compensation Committee in late 2019.

The TSR Vesting PSUs have the following performance schedule with target 18,000 shares earned for four-year TSR of 122%, accelerated if three-year TSR is 82%:

| | | CEO PSU Performance Schedule | | |
|------------------|--------|------------------------------|----------------------------|----------------------------|
| | | | 3-Year CAGR TSR | 4-Year CAGR TSR |
| | | Earned PSUs as % Target | % <i>Price Increase</i> | % <i>Price Increase</i> |
| Max | 45,000 | 250% | +127% | +199% |
| | 39,600 | 220% | +118% | +183% |
| | 34,200 | 190% | +109% | +167% |
| | 28,800 | 160% | +100% | +152% |
| | 23,400 | 130% | +91% | +137% |
| Target | 18,000 | 100% | +82% | +122% |
| | 13,500 | 75% | +59% | +86% |
| Threshold | 9,000 | 50% | +36% | +51% |

The Strategic Priority PSU's have the following performance schedule over up to a three year period:

| Strategic Priority PSU Schedule | | |
|---------------------------------|--------------------------------------|-------------------------------|
| | Financial Performance % Target | Earned PSUs ⁽¹⁾ |
| Max | 150% | 120,000 |
| | 133% | 96,000 |
| | 117% | 72,000 |
| Target | 100% | 48,000 |
| | 83% | 38,400 |
| Threshold | 67% | 28,800 |

⁽¹⁾ Linear interpolation between points.

In July 2021, after the close of fiscal year 2021, the Compensation Committee modified the Strategic Priority PSUs to extend the threshold lower and allow a wider range of potential outcomes below-target in order to recognize that some strategic priorities may not be achievable in the time frame desired by the Board.

| Strategic Priority PSU Schedule | | |
|---------------------------------|--------------------------------------|-------------------------------|
| | Financial Performance % Target | Earned PSUs ⁽¹⁾ |
| Max | 150% | 120,000 |
| | 133% | 96,000 |
| | 117% | 72,000 |
| Target | 100% | 48,000 |
| | 83% | 38,400 |
| Threshold (Original) | 67% | 28,800 |
| Threshold (New) | 50% | 19,200 |

⁽¹⁾ Linear interpolation between points.

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 Compensation Committee may take into account any considerations it deems appropriate, including whether the assertion of a claim may violate applicable law or adversely impact the interests of the Company in any related proceeding or investigation, the extent to which the executive officer was responsible for the error that resulted in the restatement, and the cost and likely outcome of any potential litigation in connection with the Company's attempts to recoup such compensation.

Transactions in Company Securities

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

Executive Stock Ownership Requirements

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

| Position | Requirement |
|--------------------------|----------------|
| CEO | 5x base salary |
| Other executive officers | 3x base salary |

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

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

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

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

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

Employment Agreements

Chief Executive Officer

On May 23, 2019, the Company entered into an executive employment agreement with Dr. Albert D. Bolles, the Company's President and CEO, setting forth the terms of his employment, which was amended and restated on July 23, 2020 (as amended the "Bolles Agreement"). The term of the Bolles Agreement ends on July 23, 2023, at which point the agreement will expire unless renewed or extended by the written consent of both parties. The Bolles Agreement provides that Dr. Bolles shall be paid an annual salary of \$638,600 (unless modified by the Compensation Committee) and will participate in the annual Cash

Incentive Award Plan and the LTI plan. Under the Bolles Agreement, Dr. Bolles is also eligible for grants of equity-based awards at such times and in such amounts as determined by the Compensation Committee. In making decisions with respect to Dr. Bolles' salary, target bonus and equity compensation grant, the Compensation Committee relied on the peer group data described above and gave considerable weight to the CEO's ability to drive performance necessary to achieve our transformational corporate objectives and to deliver value to our stockholders.

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

Under the Bolles Agreement, if Dr. Bolles is terminated without "cause" or if he terminates his employment for "good reason", Dr. Bolles will receive a severance payment equal to 100% of his annual base salary over a twelve month period, a pro-rated portion of any annual cash incentive award to which he is entitled and a one-year acceleration of his unvested stock options and other equity awards, and the Company will pay the monthly premiums for health insurance coverage for Dr. Bolles (and his spouse and eligible dependents) for the maximum period permitted under COBRA or until such earlier time as Dr. Bolles receives substantially equivalent health insurance coverage in connection with new employment.

Under the Bolles Agreement, in the event that Dr. Bolles' employment is terminated by the Company without "cause" or by Dr. Bolles for "good reason", in either case, on or within two years following a "change in control", Dr. Bolles will be eligible to receive the following payments and benefits: a cash payment equal to the sum of (i) 150% of Dr. Bolles' then-current annual base salary, plus (ii) his target cash performance bonus for the year in which the termination occurs, to be paid in substantially equal installments over the 18-month period following the termination date; a cash payment equal to Dr. Bolles' pro-rated target cash performance bonus for the year in which the termination occurs; Company-subsidized COBRA premium payments for Dr. Bolles and his covered dependents for up to the maximum period permitted under COBRA; and full accelerated vesting of all outstanding Company equity awards, with performance-based awards vesting at target performance values (unless otherwise specified in the applicable award agreement).

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

Chief Financial Officer

On January 18, 2021, the Company entered into an executive employment agreement with John D. Morberg, the Company's Chief Financial Officer, setting forth the terms of his employment (the "Morberg Agreement"). The Morberg Agreement provides that Mr. Morberg will be paid an annual base salary of \$410,000, and he will participate in the Company's annual Cash Incentive Award Plan with a target bonus equal to 55% of his annual base salary (pro-rated for any partial year of service). Mr. Morberg is also eligible to receive reimbursement of certain relocation expenses, as well as future grants of equity-based awards at such times and in such amounts as determined by the Compensation Committee. In connection with his appointment, and pursuant to the terms of the Morberg Agreement, Mr. Morberg also was granted equity awards in the form of a stock option award and an RSU award, each of which was granted on January 18, 2021 pursuant to the Landec Corporation 2019 Stock Incentive Plan. The stock option provides Mr. Morberg with the option to purchase 100,000 shares of the Company's common stock, exercisable (i) with respect to one-third of the shares underlying the option on January 18, 2022 and (ii) with respect to the remaining shares, in 1/36th installments on each monthly anniversary thereafter, in each case subject to Mr. Morberg's continued employment through the applicable vesting date. The RSU award provides for the issuance of 17,500 shares of the Company's common stock upon vesting, such vesting to occur in full on January 18, 2024, subject to his continued employment through such date.

In the event that Mr. Morberg's employment is terminated by the Company without "cause" or by Mr. Morberg for "good reason" in either case, Mr. Morberg will be eligible to receive the following payments and benefits: a cash amount equal to Mr. Morberg's then-current annual base salary, to be paid in substantially equal installments over the 12-month period following the termination date; a cash payment equal to Mr. Morberg's pro-rated target cash performance bonus for the year in which the termination occurs; Company-subsidized COBRA premium payments for Mr. Morberg and his covered dependents for up to the maximum period permitted under COBRA; and partial accelerated vesting of all outstanding Company equity awards that would have vested over the one-year period following the termination date (or, if either such termination occurs on or within two years following a "change in control," full accelerated vesting of all outstanding Company equity awards, with performance-based awards vesting at target performance values, unless otherwise specified in the applicable award agreement).

Mr. Morberg’s right to receive the severance payments and benefits described above is subject to his delivery and, as applicable, non-revocation of a general release of claims in our favor.

As part of the Employment Agreement, Mr. Morberg agreed not to solicit employees or consultants of the Company during his employment and for a period of two years following his termination.

Former Chief People Officer

On October 14, 2019, the Company entered into an executive employment agreement with Ms. Kimball (the “Kimball Agreement”) setting forth the terms of her employment. The Kimball Agreement provided that Ms. Kimball would be paid an annual base salary of \$300,000 through the term of the Kimball Agreement (unless modified by the Compensation Committee), and participate in the annual Cash Incentive Award Plan and LTI plan. Ms. Kimball agreed, as part of the Kimball Agreement, not to solicit, induce, recruit, encourage or take away employees or consultants of the Company during her employment and for a period of two years following her termination. Ms. Kimball separated from the Company effective March 12, 2021 and in connection with her separation received the following severance benefits which are described in the section entitled “Potential Payments upon Termination or Change in Control” below.

For a description of the potential payments upon termination or a change in control based on the agreements that were in effect in for fiscal year 2021, see the section entitled “Potential Payments upon Termination or Change in Control” below.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis for fiscal year 2021. Based on the review and discussions, the Compensation Committee recommended to the Board of Directors, and the Board of Directors has approved, that the Compensation Discussion and Analysis be included in Landec's Proxy Statement for its 2021 Annual Meeting of Stockholders and incorporated into our Annual Report on Form 10-K for the fiscal year ended May 30, 2021.

This report is submitted by the Compensation Committee:

Deborah Carosella (Chairperson)
Andrew Powell
Nelson Obus
Jeffrey Edwards

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

EXECUTIVE COMPENSATION AND RELATED INFORMATION

Summary Compensation

The following table shows compensation information for fiscal years 2021, 2020 and 2019 for the Named Executive Officers.

Summary Compensation Table

| Name and Principal Position | Year | Salary (\$) | Bonus | Stock Awards (\$) (1) | Option Awards (\$) (2) | Non-Equity Incentive Plan Compensation (\$) (3) | All Other Compensation (\$) (3) | Total (\$) |
|--|------|-------------|------------|-----------------------|------------------------|---|---------------------------------|--------------|
| Albert D. Bolles..... | 2021 | \$ 633,592 | \$ 319,300 | \$ 141,840 | \$ — | \$ — | \$ 36,567 | \$ 1,131,299 |
| President and Chief Executive Officer | 2020 | \$ 620,000 | \$ — | \$ — | \$ 267,611 | \$ — | \$ 92,698 | \$ 980,309 |
| | 2019 | \$ 4,769 | \$ — | \$ 574,246 | \$ 348,451 | \$ — | \$ 77,500 | \$ 1,004,966 |
| John D. Morberg..... | 2021 | \$ 141,923 | \$ 85,416 | \$ 189,525 | \$ 266,884 | \$ — | \$ 4,330 | \$ 688,078 |
| Chief Financial Officer | | | | | | | | |
| Brian F. McLaughlin (4)..... | 2021 | \$ 230,192 | \$ — | \$ — | \$ 161,230 | \$ — | \$ 206,271 | \$ 597,694 |
| Former Vice President of Finance and Administration, Chief Financial Officer | 2020 | \$ 303,426 | \$ — | \$ — | \$ 146,821 | \$ — | \$ 46,686 | \$ 496,933 |
| | 2019 | \$ 285,000 | \$ — | \$ 105,917 | \$ 134,539 | \$ 26,129 | \$ 51,450 | \$ 603,035 |
| James G. Hall..... | 2021 | \$ 365,373 | \$ — | \$ 33,578 | \$ 120,923 | \$ 315,589 | \$ 25,294 | \$ 860,757 |
| President of Lifecore | 2020 | \$ 341,586 | \$ — | \$ 105,600 | \$ 259,912 | \$ 218,400 | \$ 34,698 | \$ 960,196 |
| Biomedical and Vice President of Landec | 2019 | \$ 293,600 | \$ — | \$ 310,965 | \$ 57,958 | \$ 148,200 | \$ 32,118 | \$ 842,841 |
| Timothy Burgess..... | 2021 | \$ 332,162 | \$ 83,750 | \$ — | \$ 80,615 | \$ — | \$ 23,536 | \$ 520,063 |
| Senior Vice President of Supply Chain of Curation Foods and Vice President of Landec | 2020 | \$ 323,750 | \$ — | \$ 190,225 | \$ — | \$ — | \$ 63,878 | \$ 577,853 |
| Dawn Kimball (4)..... | 2021 | \$ 247,154 | \$ — | \$ — | \$ 72,554 | \$ — | \$ 134,645 | \$ 454,352 |
| Former Senior Vice President of Human Resources and Chief People Officer | 2020 | \$ 203,295 | \$ — | \$ 159,075 | \$ — | \$ — | \$ 18,584 | \$ 380,954 |

- (1) Amounts shown do not reflect compensation actually received by the Named Executive Officer. Instead, the amounts shown are the aggregate grant date fair value of RSUs and PSU's granted during fiscal year 2021 computed for financial statement reporting purposes in accordance with ASC 718. As required pursuant to SEC disclosure rules, the grant-date fair values of the TSR-Vesting PSUs and Strategic Priority PSUs (together, the "PSUs") granted to Dr. Bolles were computed based on the probable outcomes of the performance conditions as of the grant date; achievement of the performance conditions for the Strategic Priority PSUs were not deemed probable on the grant date and, accordingly, no value is included in the table for this award. The grant date fair value of the September 2020 Market PSUs of \$7.88 was determined through Monte-Carlo simulations using the following assumptions: the common stock closing price at the September 30, 2020 grant date for Landec which was \$9.72, the average closing price of the common stock price for the 20 trading days prior to the last day of the performance period, and the range of performance-based vesting over four years from the grant date. For the Market PSUs, an implied volatility assumption of 41% (based on historical volatility), a risk-free rate of 0.22% (the four-year Treasury rate on the grant date), and a 0% dividend yield (the mathematical equivalent to reinvesting the dividends over the four-year performance period as is consistent with the terms of the PSUs) were used. Assuming maximum achievement of the performance conditions, the value of the TSR-PSUs granted to Mr. Bolles as of the grant date is \$354,600.

- (2) Amounts shown do not reflect compensation actually received by the Named Executive Officer. Instead, the amounts shown are the aggregate grant date fair value of stock options granted during fiscal year 2021 computed for financial statement reporting purposes in accordance with ASC 718. The assumptions used to calculate the value of stock option awards are set forth under Note 1 and Note 6 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 30, 2021.
- (3) Amounts consist of Company-paid life insurance and an employer 401(k) match for all Named Executive Officers. The amount shown for Mr. Hall also includes Company-paid long term disability insurance for which Mr. Hall is the beneficiary. The amounts shown for Mr. McLaughlin include \$10,000 and for Ms. Kimball \$15,334 for temporary housing allowance. The amounts for Mr. McLaughlin also includes severance pay of \$121,154, COBRA health insurance benefits of \$8,714 and Paid Time Off payout of \$30,962. The amounts for Ms. Kimball also includes severance pay of \$71,308, COBRA health insurance benefits of \$1,983, and Paid Time Off payout of \$27,335. Dr. Bolles had \$6,344 of travel expenses related to his relocation.
- (4) Mr. McLaughlin separated from the Company on January 18, 2021. In connection with the termination of his employment, Mr. McLaughlin received certain severance benefits, the details of which have been provided under the heading “Former Chief Financial Officer” below. Ms. Kimball separated from the Company on March 12, 2021. In connection with the termination of her employment, Ms. Kimball received certain severance benefits, the details of which have been provided under the heading “Former Chief People Officer” below.

Grants of Plan-Based Awards

The following table shows all plan-based awards granted to the Named Executive Officers during fiscal year 2021. 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 2021 Year-End” table on the following page.

Grants of Plan-Based Awards

| Name | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) | | | Estimated Future Payouts Under Equity Incentive Plan Awards | | | 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) |
|------------------------------|------------|---|-------------|--------------|---|------------|-------------|--|--|--|--|
| | | Threshold (\$) | Target (\$) | Maximum (\$) | Threshold (#) | Target (#) | Maximum (#) | (#) | (#) | | |
| Albert D. Bolles, Ph.D. | | — | 638,600 | 957,900 | — | — | — | — | — | — | — |
| | 9/30/2020 | — | — | — | 9,000 | 18,000 (3) | 45,000 | — | — | — | 141,840 (3) |
| | 9/30/2020 | — | — | — | 19,200 | 48,000 (4) | 120,000 | — | — | — | — (4) |
| John D. Morberg | | — | 225,500 | 338,250 | — | — | — | — | — | — | — |
| | 1/18/2021 | — | — | — | — | — | — | 17,500 | 100,000 | 10.83 | 456,409 |
| Brian F. McLaughlin | | — | 210,000 | 315,000 | — | — | — | — | — | — | — |
| | 7/23/2020 | — | — | — | — | — | — | — | 70,000 | 9.40 | 161,230 |
| James G. Hall | | — | 297,052 | 594,104 | — | — | — | — | — | — | — |
| | 7/23/2020 | — | — | — | — | — | — | 3,574 | 52,500 | 9.40 | 154,500 |
| Timothy P. Burgess | | — | 167,400 | 251,100 | — | — | — | — | — | — | — |
| | 7/23/2020 | — | — | — | — | — | — | — | 35,000 | 9.40 | 80,615 |
| Dawn Kimball | | — | 154,500 | 231,750 | — | — | — | — | — | — | — |
| | 7/23/2020 | — | — | — | — | — | — | — | 31,500 | 9.40 | 72,554 |

- (1) Amounts shown are estimated payouts for fiscal year 2021 to the Named Executive Officers under the 2021 Cash Incentive Award Plan. The target amount is based on a percentage of the individual’s fiscal year 2020 base salary. With the exception of Mr. Hall, none of the Named Executive Officers received a cash incentive award for fiscal year 2021 under the Landec Cash Incentive Award Plan. However, Mr. Bolles, Mr. Morberg, and Mr. Burgess were awarded bonuses for FY21 outside of the Landec Cash Incentive Award Plan. For more information on these awards, including the amounts 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 of RSUs and PSUs. As required pursuant to SEC disclosure rules, the grant-date fair values of the PSUs granted to Dr. Bolles were computed based on the probable outcomes of the performance conditions as of the grant date; achievement of the performance conditions for the Strategic Priority PSUs were not deemed probable on the grant date and, accordingly, no value is included in the table for this award. The grant date fair value of the September 2020 Market PSUs of \$7.88 was determined through Monte-Carlo simulations using the following assumptions: the common stock closing price at the September 30, 2020 grant date for Landec which was \$9.72, the average closing price of the common stock price for the 20 trading days prior to the last day of the performance period, and the range of performance-based vesting over four years from the grant date. For the Market PSUs, an implied volatility assumption of 41% (based on historical volatility), a risk-free rate of 0.22% (the four-year Treasury rate on the grant date), and a 0% dividend yield (the mathematical equivalent to reinvesting the dividends over the four-year performance period as is consistent with the terms of the PSUs) were used. The assumptions used to calculate the value of stock option awards are set forth under Note 1 and Note 6 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 30, 2021. Regardless of the value placed on a stock option on the grant date, the actual value of the option will depend on the market value of the Common Stock at such date in the future when the option is exercised. Stock option awards provide that one-third vests on the first anniversary of the grant date and then 1/36th per month thereafter, therefore all options are fully vested three years after the date of grant, subject to continued employment. RSUs typically vest on the third anniversary of the date of grant, subject to continued employment.

- (3) The TSR-Vesting PSUs are eligible to vest based on the achievement of stock price goals over an initial three-year ending on September 8, 2023 and, in the event that as of the end of the initial performance period the maximum stock price goal is not achieved, then the then-unvested TSR-Vesting PSUs will remain outstanding and eligible to vest at the end of an extended performance period ending on September 8, 2024.
- (4) The Strategic Priority PSUs are eligible to vest based on the achievement of pre-determined strategic priorities over a performance period ending on the earliest to occur of (i) September 8, 2023, (ii) achievement of the last designated strategic priority, or (iii) a change in control.

Equity Awards

The following table shows all outstanding equity awards held by the Named Executive Officers at the end of fiscal year 2021. The awards for fiscal year 2021 identified in the table below are also reported in the “Grants of Plan-Based Awards” table.

Outstanding Equity Awards at Fiscal 2021 Year End

| Name | Grant Date | Option Awards | | | | Stock Awards | | | |
|--------------------------|------------|---|---|----------------------------|------------------------|---|---|--|--|
| | | Number of Securities Underlying Unexercised Options | Number of Securities Underlying Unexercised Options (#) (1) | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) (2) | Market Value of Shares Or Units of Stock That Have Not Vested (\$ (3) | Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market Value of Unearned Shares, Units, or Other Rights That Have Not Vested (\$ (3) |
| Albert D. Bolles, Ph.D. | 9/30/2020 | — | — | — | — | — | — | 9,000 (4) | 107,730 |
| | 9/30/2020 | — | — | — | — | — | — | 19,200 (5) | 229,824 |
| | 5/27/2020 | 33,000 | 67,000 | 11.20 | 5/27/2027 | — | — | — | — |
| | 5/23/2019 | 107,730 | 54,270 | 9.35 | 5/23/2026 | 55,000 | 658,350 | — | — |
| John D. Morberg | 1/18/2021 | — | 100,000 | 10.83 | 1/18/2028 | 17,500 | 209,475 | — | — |
| Brian F. McLaughlin ... | 7/23/2020 | 32,870 | — | 9.40 | 7/14/2021 | — | — | — | — |
| | 4/1/2020 | 20,343 | — | 9.77 | 7/14/2021 | — | — | — | — |
| | 1/7/2020 | 16,625 | — | 10.12 | 7/14/2021 | — | — | — | — |
| | 1/30/2019 | 24,842 | — | 12.76 | 7/14/2021 | — | — | — | — |
| | 7/25/2018 | 9,062 | — | 14.35 | 7/14/2021 | — | — | — | — |
| | 10/19/2017 | 15,000 | — | 12.65 | 7/14/2021 | — | — | — | — |
| | 5/25/2016 | 15,000 | — | 11.36 | 7/14/2021 | — | — | — | — |
| | 10/15/2015 | 30,000 | — | 12.78 | 7/14/2021 | — | — | — | — |
| James G. Hall..... | 7/23/2020 | — | 52,500 | 9.40 | 7/23/2027 | 3,574 | 42,781 | — | — |
| | 1/7/2020 | 44,166 | 55,834 | 10.12 | 1/7/2027 | — | — | — | — |
| | 8/5/2019 | — | — | — | 0 | 10,000 | 119,700 | — | — |
| | 7/25/2018 | 15,937 | 938 | 14.35 | 7/25/2025 | 5,625 | 67,331 | 9,045 (6) | 108,269 |
| | 6/1/2017 | 75,000 | — | 14.00 | 6/1/2024 | — | — | — | — |
| | 5/25/2016 | 15,000 | — | 11.36 | 5/25/2023 | — | — | — | — |
| | 5/28/2015 | 15,000 | — | 14.39 | 5/28/2022 | — | — | — | — |
| Timothy P. Burgess | 7/23/2020 | — | 35,000 | 9.40 | 7/23/2027 | — | — | — | — |
| | 7/25/2019 | — | — | — | 0 | 17,500 | 209,475 | — | — |
| Dawn Kimball..... | 7/23/2020 | 16,550 | — | 9.40 | 9/8/2021 | — | — | — | — |
| | 10/12/2018 | 15,000 | — | 12.95 | 9/8/2021 | — | — | — | — |

- (1) Options granted prior to fiscal year 2020 vest at the rate of 1/36 per month over a three-year period from date of grant. Options granted in fiscal year 2020 or later vest one-third on the first anniversary of the grant date and then 1/36th per month thereafter.
- (2) The RSUs typically vest on the third anniversary of the date of grant. Performance-based awards are reported at target. Mr. McLaughlin separated from the Company in January 2021. In connection with his termination of employment with the Company, Mr. McLaughlin received certain severance benefits including the acceleration of vesting of certain RSUs previously granted, the details of which are provided under the heading “Former Chief Financial Officer” below. Ms. Kimball separated from the Company in March 2021. In connection with her termination of employment with the Company, Ms. Kimball received certain severance benefits including the acceleration of vesting of certain RSUs previously granted, the details of which are provided under the heading “Former Chief People Officer” below.
- (3) Value is based on the closing price of the Common Stock of \$11.97 on May 28, 2021 (the last trading day of our fiscal year) as reported on the NASDAQ Global Select Market.

- (4) The number of TSR-Vesting PSUs that are eligible to vest range from 50% - 250%, based on the achievement of targets specified in the applicable award agreement. Based on the Company's stock price performance through the end of fiscal year 2021, the TSR-Vesting PSUs are shown at the threshold amount.
- (5) The number of Strategic Priority PSUs that are eligible to vest range from 60% - 250%, based on the achievement of targets specified in the applicable award agreement. The threshold was reduced to 50% of the Strategic Priority PSUs after the end of fiscal year 2021. Based on the level of achievement expected as of the end of fiscal year 2021, the Strategic Priority PSUs are shown at the threshold amount.
- (6) This performance RSU is based on the Company achieving a target earnings per share for fiscal year 2021.

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 2021.

| Name | Option Awards | | Stock Awards | |
|-----------------------------|---|------------------------------------|--|--------------------------------|
| | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$)(1) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) |
| Brian F. McLaughlin (2).... | — | — | 5,000 | 50,425 |
| James G. Hall..... | — | — | 25,000 | 271,000 |
| Dawn Kimball (2)..... | — | — | 18,608 | 224,971 |

- (1) The value realized equals the difference between the option exercise price and the fair market value of the Common Stock on the date of exercise, multiplied by the number of shares for which the option was exercised.
- (2) Mr. McLaughlin separated from the Company in January 2021. In connection with his termination of employment with the Company, Mr. McLaughlin received certain severance benefits including the acceleration of vesting of certain RSUs previously granted, the details of which are provided under the heading “Former Chief Financial Officer” below. Ms. Kimball separated from the Company in March 2022. In connection with her termination of employment with the Company, Ms. Kimball received certain severance benefits including the acceleration of vesting of certain RSUs previously granted, the details of which are provided under the heading “Former Chief People Officer” below.

Potential Payments upon Termination or Change in Control

The following describes the potential payments upon termination or change in control, based on the arrangements in effect for fiscal year 2021.

If Dr. Bolles is terminated without cause or if he terminates his employment for good reason (generally, any relocation of Dr. Bolles’ place of employment, reduction in salary, reduction in his target bonus amount or material reduction of his duties or authority), Dr. Bolles will receive a severance payment equal to 100% of his annual base salary over a twelve month period, a pro-rated portion of any annual cash incentive award to which he is entitled and a one-year acceleration of his unvested stock options and other equity awards, and the Company will pay the monthly premiums for health insurance coverage for Dr. Bolles (and his spouse and eligible dependents) for the maximum period permitted under COBRA or until such earlier time as Dr. Bolles receives substantially equivalent health insurance coverage in connection with new employment. In addition, the Bolles Agreement provides that if Dr. Bolles is terminated without cause or terminates his employment for good reason within two (2) years following a “change of control,” Dr. Bolles will receive a cash payment equal to the sum of (i) 150% of Dr. Bolles’ then-current annual base salary, plus (ii) his target cash performance bonus for the year in which the termination occurs, to be paid in substantially equal installments over the 18-month period following the termination date; a cash payment equal to Dr. Bolles’ pro-rated target cash performance bonus for the year in which the termination occurs; Company-subsidized COBRA premium payments for Dr. Bolles and his covered dependents for up to the maximum period permitted under COBRA; and full accelerated vesting of all outstanding Company equity awards, with performance-based awards vesting at target performance values (unless otherwise specified in the applicable award agreement)

Upon Dr. Bolles death or disability, the Company shall pay Dr. Bolles or his estate his unpaid base salary and the pro rata portion of his annual cash incentive award through the date of termination (which, for fiscal year 2021 was \$0).

If Mr. Morberg is terminated without cause or if he terminates his employment for good reason (generally, any relocation of Mr. Morberg's place of employment, reduction in salary, reduction in his target bonus amount or material reduction of his duties or authority), Mr. Morberg will receive a cash amount equal to Mr. Morberg's then-current annual base salary, to be paid in substantially equal installments over the 12-month period following the termination date; a cash payment equal to Mr. Morberg's pro-rated target cash performance bonus for the year in which the termination occurs; Company-subsidized COBRA premium payments for Mr. Morberg and his covered dependents for up to the maximum period permitted under COBRA; and partial accelerated vesting of all outstanding Company equity awards that would have vested over the one-year period following the termination date (or, if either such termination occurs on or within two years following a "change in control," full accelerated vesting of all outstanding Company equity awards, with performance-based awards vesting at target performance values, unless otherwise specified in the applicable award agreement)

If Dr. Bolles' or Mr. Morberg'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 30, 2021, the last day of the 2021 fiscal year, Dr. Bolles and Mr Morberg would have received the following severance benefits under the Bolles and Morberg Agreements, respectively:

| <u>Name</u> | <u>Cash Severance (1)</u> | <u>Bonus Payment</u> | <u>Accelerated Vesting of Options (2)</u> | <u>Accelerated Vesting of RSUs (3)</u> | <u>Post-Termination Health Insurance Premiums (4)</u> | <u>Total</u> |
|-----------------------|---------------------------|----------------------|---|--|---|--------------|
| Albert D. Bolles..... | \$638,600 | \$638,600 | \$166,837 | \$658,350 | \$67,019 | \$2,169,405 |
| John D. Morberg..... | \$410,000 | \$225,500 | \$38,000 | \$94,885 | \$21,805 | \$790,190 |

- (1) Reflects potential payments based on 100% of salaries as of May 30, 2021.
- (2) Reflects value of options that are in the money (exercise price below stock price as of May 30, 2021). The value equals the difference between the option exercise price and the closing price of the Common Stock of \$11.97 on May 28, 2021 (the last trading day of our fiscal year) as reported on the NASDAQ Global Select Market, multiplied by the number of options. For stock options out of the money (exercise price above stock price as of May 30, 2021), there is no value to the acceleration for those options.
- (3) Accelerating the vesting of the outstanding RSUs by one year would result in 55,000 and 7,927 of the currently outstanding RSUs vesting as of May 30, 2021 for each of Dr. Bolles and Mr. Morberg respectively. The value is based on the closing price of the Common Stock of \$11.97 on May 28, 2021 (the last trading day of our fiscal year) as reported on the NASDAQ Global Select Market.
- (4) Represents the maximum amount of premiums that would have been paid under COBRA and the Armada Care plan.

If Dr. Bolles' or Mr. Morberg's employment with the Company had been terminated due to his death or disability on May 30, 2021, the last day of the 2021 fiscal year, each would have received only the unpaid base salary at the time of termination since neither Dr. Bolles nor Mr. Morberg earned an annual cash incentive award in fiscal year 2021 under the Cash Incentive Award Plan.

If Dr. Bolles' or Mr. Morberg'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 30, 2021, the last day of the 2021 fiscal year, Dr. Bolles and Mr. Morberg would have received the following severance benefits under the Bolles and Morberg Agreements, respectively set forth above:

| <u>Name</u> | <u>Cash Severance (1)</u> | <u>Pro-rated Bonus for Year of Termination</u> | <u>Accelerated Vesting of Options (2)</u> | <u>Accelerated Vesting of RSUs (3)</u> | <u>Post-Termination Health Insurance Premiums (4)</u> | <u>Total</u> |
|-----------------------|---------------------------|--|---|--|---|--------------|
| Albert D. Bolles..... | \$957,900 | \$638,600 | \$501,440 | \$658,350 | \$67,019 | \$2,823,309 |
| John D. Morberg..... | \$410,000 | \$225,500 | \$114,000 | \$209,475 | \$21,805 | \$980,780 |

- (1) Reflects potential payments based on 150% of base salary for Mr. Bolles and 100% of base salary for Mr. Morberg. Reflects 100% of target bonus for Mr. Bolles and Mr. Morberg, as of May 30, 2021.

- (2) Reflects value of options that are in the money (exercise price below stock price as of May 30, 2021). The value equals the difference between the option exercise price and the closing price of the Common Stock of \$11.97 on May 28, 2021 (the last trading day of our fiscal year) as reported on the NASDAQ Global Select Market, multiplied by the number of options. For stock options out of the money (exercise price above stock price as of May 30, 2021), there is no value to the acceleration for those options.
- (3) Accelerating the vesting of all outstanding RSUs would result in 55,000 and 17,500 of the currently outstanding RSUs vesting as of May 30, 2021 for Dr. Bolles and Mr. Morberg, respectively. The value is based on the closing price of the Common Stock of \$11.97 on May 28, 2021 (the last trading day of our fiscal year) as reported on the NASDAQ Global Select Market.
- (4) Represents the maximum amount of premiums that would have been paid under COBRA and the Armada Care plan.

Executive Change in Control Severance Plan

On July 23, 2020, the Board of Directors of the Company adopted the Landec Corporation Executive Change in Control Severance Plan (the “Severance Plan”). The Severance Plan provides for the payment of cash severance and other benefits to our executives, including James Hall and Timothy Burgess, in the event of a qualifying termination of employment with us in connection with a change in control. Under the Severance Plan, in the event of a termination of an executive’s employment by us without “cause” or by the executive for “good reason”, in either case, on or within two years following a “change in control”, the executive will be eligible to receive the following payments and benefits: a cash payment equal to the sum of 1.0 times (or, for Mr. Burgess, 0.75 times) (i) the executive’s then-current annual base salary, plus (ii) the executive’s target cash performance bonus for the year in which the termination occurs, to be paid in a lump sum within 60 days following the executive’s termination; a cash payment equal to the executive’s pro-rated target cash performance bonus for the year in which the termination occurs; Company-subsidized COBRA premium payments for the executive and his or her covered dependents for up to 12 months; and full accelerated vesting of all outstanding Company equity awards, with performance-based awards vesting at target performance values (unless otherwise specified in the applicable award agreement).

If Mr. Hall or Mr. Burgess' employment with the Company had been terminated without cause or for good reason in connection with a change in control of the company on May 30, 2021, the last day of the 2021 fiscal year, each would have received the following benefits under the Executive Change in Control Severance Plan:

| Name | Cash Severance (1) | Pro-rated Bonus for Year of Termination | Accelerated Vesting of Options (2) | Accelerated Vesting of RSUs (3) | Post- Termination Health Insurance Premiums (4) | Total |
|--------------------------|--------------------------|--|--|---------------------------------------|---|-------------|
| James G. Hall..... | \$668,367 | \$297,052 | \$329,075 | \$229,812 | \$40,183 | \$1,564,490 |
| Timothy P. Burgess | \$418,500 | \$167,400 | \$89,950 | \$209,475 | \$25,329 | \$910,655 |

- (1) Reflects potential payments based on 100% of base salary for Mr. Hall, and 75% of base salary for Mr. Burgess, as of May 30, 2021. Includes 100% of target bonus for Mr. Hall and Mr. Burgess.
- (2) Pro-rated bonus for year of termination is the full target bonus because the effective date of the table is the final day of the fiscal year.
- (3) Reflects value of options that are in the money (exercise price below stock price as of May 30, 2021). The value equals the difference between the option exercise price and the closing price of the Common Stock of \$11.97 on May 28, 2021 (the last trading day of our fiscal year) as reported on the NASDAQ Global Select Market, multiplied by the number of options. For stock options out of the money (exercise price above stock price as of May 30, 2021), there is no value to the acceleration for those options.
- (4) Accelerating the vesting of all outstanding RSUs would result in 17,500, 19,199 and 17,500 of the currently outstanding RSUs vesting as of May 30, 2021 for Mr. Hall and Mr. Burgess, respectively. The value is based on the closing price of the Common Stock of \$11.97 on May 28, 2021 (the last trading day of our fiscal year) as reported on the NASDAQ Global Select Market.
- (5) Represents twelve months of premiums that would have been paid under COBRA and under the Armada Care plan.

Former Chief Financial Officer and Former Chief People Officer

Mr. McLaughlin separated from the Company effective January 18, 2021, and Mr. Kimball separated from the Company effective March 12, 2021. In connection with their separation from the Company, Mr. McLaughlin and Ms. Kimball received the following severance benefits:

| Name | Cash Severance (1) | Bonus Payment | Accelerated Vesting of Options (2) | Accelerated Vesting of RSUs (3) | Post-Termination Health Insurance Premiums (4) | Total |
|-----------------------|--------------------|---------------|------------------------------------|---------------------------------|--|-----------|
| Brian McLaughlin..... | \$350,000 | — | \$74,514 | — | \$32,639 | \$457,153 |
| Dawn Kimball..... | \$309,000 | — | \$44,520 | \$224,971 | \$12,421 | \$590,912 |

- (1) For Mr. McLaughlin, reflects payments based on 100% of his salary as of January 18, 2021, per the terms of the McLaughlin Agreement, For Ms. Kimball, reflects payments based on 100% of her salary as of March 12, 2021 per the terms of the Kimball Agreement.
- (2) Accelerated vesting of certain outstanding stock options resulted in the immediate vesting of 61,588 outstanding options for Mr. McLaughlin, and 16,550 outstanding options for Ms. Kimball. The value for Mr. McLaughlin equals the difference between the option exercise price and the closing price of the Common Stock of \$10.83 on January 15, 2021(the last trading date before the acceleration date) as reported on the NASDAQ Global Select Market, multiplied by the number of options. The value for Ms. Kimball equals the difference between the option exercise price and the closing price of the Common Stock of \$12.09 on March 12, 2021(the acceleration date) as reported on the NASDAQ Global Select Market, multiplied by the number of options.
- (3) Accelerating the vesting of certain outstanding RSUs resulted in the immediate vesting of 18,608 of the outstanding RSUs for Ms. Kimball.
- (4) Represents twelve months of premiums to be paid under COBRA and the Armada Care Plan for Mr. McLaughlin. Represents the maximum amount of premiums that would have been paid under COBRA for Ms. Kimball.

CEO Pay Ratio

The following table sets forth the ratio of the total compensation of the Company’s CEO, Albert D. Bolles, to that of our median compensated employee for the fiscal year ended May 30, 2021.

| | | |
|--|----|-----------|
| CEO total annual compensation | \$ | 1,131,299 |
| Median Employee total annual compensation..... | \$ | 43,229 |
| Ratio of CEO to Median Employee total annual compensation..... | | 26:1 |

To determine the CEO’s total annual compensation, we used the amount reported in the 2021 “Total” column of our Summary Compensation Table included in this Proxy Statement. Landec has elected to identify its median employee every three years unless a significant change in employee population or employee compensation arrangements has occurred. In 2021, the prior year’s median employee terminated employment during the last quarter of the fiscal year, however, as allowed by the SEC, Landec used the total compensation for this employee in determining the pay ratio because it did not result in a significant change in the pay ratio disclosure. 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.

RELATED PARTY TRANSACTIONS

Policies and Procedures with Respect to Related Party Transactions

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

Certain Relationships and Related Transactions

Curation Foods sells products to and earns license fees from Windset Holding 2010 Ltd., a Canadian corporation ("Windset"). Curation Foods held a 26.9% equity interest in Windset as of May 30, 2021. During fiscal year 2021, Curation Foods recognized \$0.5 million of revenues from Windset. On June 1, 2021, Curation Foods sold its interests in Windset to Newell Capital Corporation and Newell Brothers Investment 2 Corp., existing holders of Windset, in exchange for an aggregate purchase price of \$45.1 million.

DELINQUENT SECTION 16(A) REPORTS

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

To the Company's knowledge, based solely upon review of the copies of such reports filed with the SEC and written representations that no other reports were required, during the fiscal year ended May 30, 2021 all Section 16(a) filing requirements applicable to the Company's officers, directors and holders of more than ten percent of the Company's Common Stock were satisfied, except for (i) one late Form 4 for Tonia Pankopf, filed on October 20, 2020, with respect to one transaction, (ii) one late Form 4 for John Morberg, filed on January 21, 2021, with respect to one transaction, (iii) one amendment on Form 4 for Dawn Kimball, filed on March 19, 2021, with respect to one transaction, (iv) one amendment on Form 4 for Wynnefield Capital, filed on April 15, 2021, with respect to one transaction, and (v) one late Form 4 for Tim Burgess, filed on April 21, 2021, with respect to one transaction.

INCORPORATION BY REFERENCE

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

OTHER MATTERS

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

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

BY ORDER OF THE BOARD OF DIRECTORS

/s/ John D. Morberg

JOHN D. MORBERG
Secretary

Santa Maria, California
August 27, 2021

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

FORM 10-K

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

For the Fiscal Year Ended May 30, 2021, or

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

For the Transition period from _____ to _____.

Commission file number: **000-27446**

LANDEC CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

94-3025618

(IRS Employer Identification Number)

2811 Airpark Drive

Santa Maria, California

(Address of principal executive offices)

93455

(Zip Code)

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

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

| <u>Title of each class</u> | <u>Trading Symbol</u> | <u>Name of each exchange on which registered</u> |
|---|-----------------------|--|
| Common Stock, par value \$0.001 per share | LNDC | The NASDAQ Global Select Stock Market |

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

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

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

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

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

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

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

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

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

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

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately \$210,110,000 as of November 29, 2020, 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 26, 2021, there were 29,456,705 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2021 Annual Meeting of Stockholders (the "Proxy Statement") to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, are incorporated herein by reference where indicated. Except with respect to information specifically incorporated by reference in this Annual Report on Form 10-K, the Proxy Statement is not deemed to be filed as part hereof.

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LANDEC CORPORATION
ANNUAL REPORT ON FORM 10-K

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Cautionary Note About Forward-Looking Statements

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

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

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

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

PART I

Item 1. *Business*

Corporate Overview

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

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

Landec’s biomedical company, Lifecore Biomedical, Inc. (“Lifecore”), is a fully integrated contract development and manufacturing organization (“CDMO”) that offers highly differentiated capabilities in the development, fill and finish of sterile, injectable pharmaceutical products in syringes and vials. As a leading manufacturer of premium, injectable grade Hyaluronic Acid, Lifecore brings 36 years of expertise as a partner for global and emerging biopharmaceutical and biotechnology companies across multiple therapeutic categories to bring their innovations to market.

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

Reportable Segments

Landec has three reportable business segments – Curation Foods, Lifecore and Other, which are described below. During the fourth quarter of fiscal years 2019 the Company discontinued its Now Planting® business. The operating results for the Now Planting business are presented as discontinued operations in the Company’s accompanying Consolidated Financial Statements and the financial results for fiscal years 2021, 2020 and 2019.

Curation Foods

Curation Foods Overview

Based in Santa Maria, California, Curation Foods’ primary business is the processing, marketing and selling of fresh packaged plant based salads and vegetables. Curation Foods serves as the corporate umbrella for its patented BreatheWay® packaging technology and for its portfolio of four natural food brands, including the Company’s legacy and flagship brand Eat Smart® as well as its three more recently acquired natural food brands, *O Olive Oil & Vinegar*® (“*O*”) products, and Yucatan® and Cabo Fresh® authentic guacamole and avocado products. The major distinguishing characteristics of Curation Foods that provide competitive advantage are insight driven product innovation, diversified fresh food supply chain, refrigerated supply chain and customer reach. We believe that Curation Foods is well positioned as a single source of a broad range of products. Curation Foods also has six processing facilities. In addition to processing, the company has two distribution centers and a nationwide network of third party providers for nationwide delivery of all of its packaged salads, vegetable products, avocado products and specialty oil and vinegar products. Our products are currently available in over 74% of retail and club stores across North America.

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

Curation Foods Brands

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

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

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

BreatheWay Packaging Technology: The Company’s BreatheWay membrane technology establishes a beneficial packaging atmosphere adapting to changing fresh product respiration and temperature in order to extend freshness naturally. The BreatheWay supply chain packaging technology extends shelf-life and reduces shrink (waste) for retailers and helps to ensure that consumers receive fresh products. The Company generates revenue from the sale to and/or use of its BreatheWay patented packaging technology and integrated packaging solutions.

Windset: Until June 1, 2021, the Company held a 26.9% investment ownership in Windset Holding 2010 Ltd. (“Windset”), a leading edge grower of hydroponically-grown produce. Windset owns and operates greenhouses in British Columbia, Canada and California. In addition to growing produce in its own greenhouses, Windset has numerous marketing arrangements with other greenhouse growers and utilizes buy/sell arrangements to meet fluctuation in demand from their customers. The Curation Foods segment operating results include the dividends and Landec’s share of the change in fair market value of its investment in Windset.

On June 1, 2021, the Company and Curation Foods entered into and closed a Share Purchase Agreement (the “Purchase Agreement”) with Newell Capital Corporation and Newell Brothers Investment 2 Corp., as Purchasers (the “Purchasers”) and Windset, pursuant to which Curation Foods sold all of its equity interests of Windset to the Purchasers in exchange for an aggregate purchase price of \$45.1 million. Pursuant to the terms of the Purchase Agreement, Curation Foods also retained certain rights to additional purchase price consideration in the event of certain transactions or equity issuances involving Windset until September 2022. The Purchase Agreement included various representations, warranties and covenants of the parties generally customary for a transaction of this nature.

Lifecore Biomedical

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

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

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

Establish strategic relationships with market leaders:

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

Expand medical applications for HA:

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

Utilize manufacturing infrastructure to meet customer demand:

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

Maintain flexibility in product development and supply relationships:

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

Deliver consistent quality:

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

Other

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

COVID-19 Pandemic

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

Sales and Marketing

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

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

Manufacturing and Processing

Seasonality

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

Curation Foods

Eat Smart Fresh Packaged Salads and Vegetables

Fresh packaged salads, vegetable products and fresh-cut packaged green beans are processed in the Company’s facilities located in Guadalupe, California and Bowling Green, Ohio. Cooling of produce is done by third parties as well as our own cooling systems. As part of Landec’s Project SWIFT, during the second quarter of fiscal year 2021, the Company sold the Hanover building and assets related thereto for net proceeds of \$8.0 million.

O Olive Oil & Vinegar

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

Yucatan and Cabo Fresh

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

BreatheWay

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

Lifecore Biomedical

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

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

Competition

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

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

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

Patents and Proprietary Rights

The Company's success depends in large part on its ability to obtain patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties. The Company has 19 active U.S. patents as of May 30, 2021 with expiration dates ranging from 2021 to 2035.

Government Regulation

Curation Foods

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

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

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

Lifecore

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

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

Human Capital

Our mission

The strength of our team and our workplace culture is essential to our ability to achieve our broader mission. Attracting, developing and retaining exceptional employees is vitally important to us, and we invest in creating a differentiated culture for our team that enables continuous innovation at scale. We want to be a force for good, a team that is helping to improve the quality of life for our customers and employees. As of May 30, 2021, Landec had 905 full-time employees, of whom 675 were dedicated to research, development, manufacturing, quality control and regulatory affairs, and 230 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.

Our employee engagement and culture

Our hiring process has been designed to provide an equitable candidate experience, facilitate the inclusion of new perspectives, foster innovation and creativity and leverage technology and data analytics to address gaps in representation.

We developed a *COVID-19 Taskforce* to assure employee health and safety throughout the workplace and encourage employees to carry this information into their communities. We also partner with local health departments in our various locations to supply our employees with COVID-19 communications to keep them informed in the ever-changing environment.

We provide training to all employees in the areas of Food Safety, Human Safety and Human Resources. Individual training plans for continued growth are developed between employees and supervisors or managers. Frontline supervision workers at factory locations are provided continuous improvement tools for training in line with our "ZEST" efforts as well as employee interface training covering topics such as how to provide feedback or how to have difficult conversations regarding performance. ZEST is our manufacturing operational system that will empower our people to work in a different way, changing their mindset and behaviors leading to an acceleration of our performance across our operations.

- **Zero Mindset** - Zero breakdown, zero defects, zero recalls, zero accidents, zero pollution.
- **Empowerment** - Empower employees to impact change. I operate. I maintain. I own the outcomes.
- **Standardization** - Implementing the same practice across the network for efficiency.
- **Training** - The cornerstone of success and employee engagement.

We empower our employees to own their career path and seek out training programs to take them to the next level. We are currently in the process of developing a platform for growth opportunities and ways to understand and communicate career pathways. We have also invested in our training and development programs and infrastructure for our employees.

Available Information

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

Item 1A. Risk Factors

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

Risks Related to Our Business and Operations

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

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

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

In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China. This virus continues to spread globally and, as of May 31, 2020, has spread to approximately 160 countries, including the United States. To date, the COVID-19 pandemic and preventative measures taken to contain or mitigate the outbreak have caused, and are continuing to cause, business slowdowns or shutdowns in affected areas and significant disruption to our businesses and to the financial markets both globally and in the United States. The COVID-19 pandemic has had and we believe will continue to have significant adverse impacts on many aspects of the Company's operations, directly and indirectly, including with respect to sales, customer

behaviors, business and manufacturing operations, inventory, the Company's employees, and the market generally, and the scope and nature of these impacts continue to evolve each day. In particular, the COVID-19 pandemic has resulted in and may continue to result in, regional quarantines, labor shortages or stoppages, adverse changes in consumer purchasing patterns, reductions in customer demand for our products, increased safety and compliance costs, disruptions to our supply chains, suppliers and service providers to deliver materials and services on a timely basis, and overall economic instability, which have significantly adversely affected and could further adversely affect our business, financial condition and results of operations. In addition, in response to the COVID-19 pandemic, our suppliers, growers, and corporate partners have reduced staffing and have reduced, delayed and postponed certain projects, initiatives or other arrangements in response to the spread of the COVID-19 pandemic, which may continue or worsen as the pandemic continues. These actions have resulted in and may result in further business and manufacturing disruption, inventory shortages, delivery delays, additional costs, and reduced sales and operations for us, any of which have and could further significantly affect our business, financial condition and results of operations. With respect to our Curation Foods business specifically, the responses to the COVID-19 pandemic have also adversely impacted and may further impact consumer spending and our customer's preferences, which have had and may continue to have an adverse impact on our sales in that segment. With respect to our Lifecore business, the COVID-19 pandemic has resulted and may continue to result in fewer elective medical procedures, which, in turn, has and may continue to adversely impact our business and sales. The extent to which the COVID-19 pandemic has impacted our business is difficult to ascertain, and future potential impacts to our business will depend on how the COVID-19 pandemic continues to evolve, which is highly uncertain and cannot be predicted. Such future developments may include, among others, new information that may emerge concerning the severity of COVID-19 and the actions to contain COVID-19 or treat its impact. The COVID-19 pandemic has adversely affected the economies and financial markets worldwide, resulting in an economic downturn that could affect demand for our products, our ability to obtain financing on favorable terms, our ability to comply with our obligations (including leases and debt covenants) and otherwise adversely impact our business, financial condition and results of operations.

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

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

We are party to two credit agreements, which contain a number of covenants that limit our ability and our subsidiaries' ability to, among other things, incur additional indebtedness, pay dividends, create liens, engage in transactions with affiliates, merge or consolidate with other companies, or sell substantially all of our assets. We are also required to maintain certain financial covenants, including a maximum total leverage ratio and a minimum fixed charge coverage ratio. The terms of our credit facilities may restrict our current and future operations and could adversely affect our ability to finance our future operations or capital needs or to execute preferred business strategies. In addition, complying with these covenants may make it more difficult for us to successfully execute our business strategy and compete against companies who are not subject to such restrictions.

A failure by us to comply with the covenants specified in our credit agreements, as amended, could result in an event of default under the agreements, which would give the lenders the right to terminate their commitments to provide additional loans under our credit facilities and to declare all borrowings outstanding, together with accrued and unpaid interest, to be immediately due and payable. In addition, the lenders would have the right to proceed against the collateral we granted to them, which consists of substantially all of our assets. We cannot guarantee that we will be able to remain in compliance with all applicable covenants under the credit agreements in the future, that our lenders will elect to provide waivers or enter into amendments in the future, or, if the lenders do provide waivers, that those waivers will not be conditioned upon additional costs or restrictions that could materially or adversely impact our business, cash flows, results of operations, and financial condition. In addition, if the debt under our credit facilities were to be accelerated, we may not have sufficient cash or be able to borrow sufficient funds to refinance the debt or sell sufficient assets to repay the debt, which could immediately, materially and adversely affect our business, cash flows, results of operations, and financial condition, and there would be no guarantee that we would be able to find alternative financing. Even if we were able to obtain alternative financing, it may not be available on commercially reasonable terms or on terms that are acceptable to us.

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

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

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

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

During the fiscal year ended May 30, 2021, sales to the Company's top five customers accounted for approximately 49% of total revenue of the Company, with the top two customers from the Curation Foods segment, Costco Corporation and Walmart, Inc. accounting for approximately 16% and 15%, respectively, of total revenues of the Company. We expect that, for the foreseeable future, a limited number of customers may continue to account for a substantial portion of our revenues. We may experience changes in the composition of our customer base as we have experienced in the past. The reduction, delay or cancellation of orders from one or more major customers for any reason or the loss of one or more of our major customers could materially and adversely affect our business, operating results, and financial condition. In addition, since some of the products processed by Curation Foods and Lifecore are sole sourced to customers, our operating results could be adversely affected if one or more of our major customers were to develop other sources of supply. Our current customers may not continue to place orders, orders by existing customers may be canceled or may not continue at the levels of previous periods, or we may not be able to obtain orders from new customers.

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

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

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

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

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

We are subject to increasing competition in the marketplace

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

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

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

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

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

Our operations are subject to regulations that directly impact our business

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

heavily on administrative interpretations and the country in which the products are sold. Future changes in regulations or interpretations relating to matters such as safe working conditions, laboratory and manufacturing practices, produce safety, environmental controls, and disposal of hazardous or potentially hazardous substances may adversely affect our business.

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

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

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

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

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

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

In addition, most of the existing products being sold by Lifecore and its customers are subject to continued regulation by the FDA, various state agencies and foreign regulatory agencies, which regulate the design, nonclinical and clinical research studies, manufacturing, labeling, distribution, post-marketing product modifications, advertising, promotion, import, export, adverse event and other reporting, and record keeping procedures for such products. Aseptic processing and shared equipment manufacturing require specific quality controls. If we fail to achieve and maintain these controls, we may have to recall product, or may have to reduce or suspend production while we address any deficiencies. Marketing clearances or approvals by regulatory agencies can be withdrawn due to failure to comply with regulatory standards or the occurrence of unforeseen problems following

initial clearance or approval. These agencies can also limit or prevent the manufacture or distribution of Lifecore's products or change or increase the regulatory requirements applicable to such products. A determination that Lifecore is in violation of such regulations could lead to the issuance of adverse inspectional observations, a warning letter, imposition of civil penalties, including fines, product recalls or product seizures, preclusion of product import or export, a hold or delay in pending product approvals, withdrawal of marketing authorizations, injunctions against product manufacture and distribution, and, in extreme cases, criminal sanctions.

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

Any new business acquisition will involve uncertainty relating to integration

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

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

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

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

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

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

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

We are subject to the risks of doing business internationally

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

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

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

For fiscal year 2021, approximately 17% of our consolidated net revenues were derived from product sales to international customers. A number of risks are inherent in international transactions. International sales and operations may be limited or disrupted by any of the following:

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

Foreign regulatory agencies have or may establish product standards different from those in the United States, and any inability on our part to obtain foreign regulatory approvals on a timely basis could have a material adverse effect on our international business, and our financial condition and results of operations. While our foreign sales are currently priced in dollars, fluctuations in currency exchange rates may reduce the demand for our products by increasing the price of our products in the

currency of the countries in which the products are sold. Regulatory, geopolitical and other factors may adversely impact our operations in the future or require us to modify our current business practices.

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

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

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

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

We depend on strategic partners and licenses for future development

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

Risks Related to Ownership of Our Common Stock

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

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

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

- foreign currency fluctuations, and
- foreign importation restrictions and foreign political risks.

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

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

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

- weather-related produce sourcing issues,
- technological innovations applicable to our products,
- pandemics, epidemics and other natural disasters, including the COVID-19 pandemic,
- our attainment of (or failure to attain) milestones in the commercialization of our technology,
- our development of new products or the development of new products by our competitors,
- new patents or changes in existing patents applicable to our products,
- our acquisition of new businesses or the sale or disposal of a part of our businesses,
- development of new collaborative arrangements by us, our competitors or other parties,
- changes in government regulations, interpretation, or enforcement applicable to our business,
- changes in investor perception of our business,
- fluctuations in our operating results, and
- changes in the general market conditions in our industry.

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

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

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

We have never paid any dividends on our common stock

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

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

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

- our certificate of incorporation includes a provision authorizing our Board of Directors to issue blank check preferred stock without stockholder approval, which, if issued, would increase the number of outstanding shares of our capital stock and could make it more difficult for a stockholder to acquire us;
- our certificate of incorporation provides for a dual-class Board of Directors, in which each class will serve for a staggered two-year term;
- our certificate of incorporation limits the number of directors that may serve on the Board of Directors without the majority approval of all of the outstanding shares of our common stock;
- our amended and restated bylaws require advance notice of stockholder proposals and director nominations;

- our Board of Directors has the right to implement additional anti-takeover protections in the future, including stockholder rights plans and other amendments to our organizational documents, without stockholder approval; and
- Section 203 of the Delaware General Corporation Law may prevent large stockholders from completing a merger or acquisition of us.

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

General Risks

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

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

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

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

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

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

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

We 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

As of May 30, 2021, the Company owned or leased the following principle physical properties:

| Location | Business Segment | Ownership | Facilities |
|---------------------------------|------------------|-----------|---|
| Guadalupe, CA | Curation Foods | Owned | 199,000 square feet of office space, manufacturing and cold storage |
| Chaska, MN | Lifecore | Owned | 148,200 square feet of office, laboratory and manufacturing space |
| Silao, Guanajuato, Mexico | Curation Foods | Leased | 97,000 square feet of office and manufacturing space |
| Chaska, MN | Lifecore | Leased | 80,950 square feet of office, manufacturing and warehouse space |
| Bowling Green, OH.. | Curation Foods | Owned | 55,900 square feet of office space, manufacturing and cold storage |
| Santa Maria, CA | Curation Foods | Leased | 36,300 square feet of office and laboratory space |
| Chanhassen, MN..... | Lifecore | Leased | 21,384 square feet of warehouse and office space |
| Petaluma, CA..... | Curation Foods | Leased | 18,400 square feet of office and manufacturing space |
| Rock Hill, SC..... | Curation Foods | Owned | 16,400 square feet of cold storage and office space |

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

Item 3. *Legal Proceedings*

The information contained in Note 10 to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K is incorporated herein by reference.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

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

Market Information

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

Holders

As of July 26, 2021, there were approximately 46 holders of record of our common stock. Since certain holders are listed under their brokerage firm's names, the actual number of stockholders is higher.

Dividends

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

Issuer Purchases of Equity Securities

For the twelve months ended May 30, 2021, there have been no shares repurchased by the Company. The Company may still repurchase up to \$3.8 million of the Company's Common Stock under the Company's stock repurchase plan announced on July 14, 2010.

Recent Sales of Unregistered Equity Securities

The Company did not sell any unregistered equity securities during the twelve months ended May 30, 2021.

Item 6. Selected Financial Data

Not applicable.

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

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

Overview

Landec Corporation and its subsidiaries ("Landec", the "Company", "we" or "us") design, develop, manufacture, and sell differentiated products for food and biomaterials markets, and license technology applications to partners. Landec has three reportable business segments – Curation Foods, Lifecore, and Other which are described below. Landec's biomedical company, Lifecore Biomedical®, is a fully integrated contract development and manufacturing organization ("CDMO") that offers highly differentiated capabilities in the development, fill and finish of sterile, injectable pharmaceutical products in syringes and vials. As a leading manufacturer of premium, injectable grade Hyaluronic Acid, Lifecore brings 36 years of expertise as a partner for global and emerging biopharmaceutical and biotechnology companies across multiple therapeutic categories to bring their innovations to market.

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

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

Strategy

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

Lifecore

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

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

Curation Foods

Curation Foods, the Company's natural food business, is focused on transforming its business to improve operational performance. The Company launched Project SWIFT which aims to strengthen Curation Foods by simplifying the business. The Company believes that the decisive actions of Project SWIFT will help improve the Company's operating cost structure, enhance profitability, and strengthen its balance sheet with an overall aim to deliver long-term value to shareholders. Curation Foods intends to continue to deliver high levels of product quality and safety, while successfully executing on its customer, grower, and partner commitments. Project SWIFT will continue to be implemented throughout fiscal 2022, with three strategic priorities designed to improve Curation Foods' overall financial performance and profitability:

- 1) *Network & Operational Optimization:* Streamline the organization to maximize efficiency and productivity by continuous improvement in plant operations with lean manufacturing practices. This included the consolidation and centralization of Curation Foods various offices into its Innovation Center headquarters in Santa Maria, California in fiscal 2020.
- 2) *Focus on Strategic Assets:* Simplify the business by divesting non-core assets. In fiscal 2020 the Company initiated the strategic sale process of the Company's Ontario, California salad dressing manufacturing facility, which had yet to become operational and a review of strategic options for its legacy core vegetable bag and tray business. In the first quarter of fiscal year 2021, the Company sold its interest in Ontario for net proceeds of \$4.9 million. In June 2020 the Company began exploring opportunities for the divestiture of its underutilized Hanover manufacturing facility, and during the second quarter of fiscal year 2021, the Company sold the Hanover building and assets related thereto for net proceeds of \$8.0 million.
- 3) *Organizational Redesign:* Redesigning the organization so that it is the appropriate size for the Company's future direction. In fiscal 2021, the Company focused on redesigning strategic initiatives, developed and elevated internal talent and reduced overall headcount to improve efficiencies.

During May 2021 we entered into a transportation management, warehousing, and transportation services agreement with Castellini Company, LLC to outsource Curation Foods' fresh packaged salads and vegetables logistics management, including transportation, warehousing and distribution. We expect to benefit from engaging with a strategic logistics partner to increase our distribution reach into markets that we do not currently serve, improve efficiency by increased distribution frequency in existing markets and reduce our overall operating costs, thereby bringing greater value to our stockholders.

The COVID-19 Pandemic

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

Critical Accounting Policies and Use of Estimates

Use of Estimates

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

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

Revenue Recognition

The Company follows the five step, principles-based model to recognize revenue upon the transfer of promised goods or services to customers and in an amount that reflects the consideration for which the Company expects to be entitled in exchange for those goods or services. Revenue, net of estimated allowances and returns, is recognized when or as the Company satisfies its performance obligations under a contract and control of the product is transferred to the customer.

Curation Foods

Curation Foods' standard terms of sale are generally included in its contracts and purchase orders. Revenue is recognized at the time shipment is made or upon delivery as control of the product is transferred to the customer. Shipping and other transportation costs charged to customers are recorded in both revenue and cost of goods sold. Curation Foods has elected to account for shipping and handling as fulfillment activities, and not as a separate performance obligation. Curation Foods' standard payment terms with its customers generally range from 30 days to 90 days. Certain customers may receive cash-based incentives (including volume rebates, discounts, and promotions), which are accounted for as variable consideration to Curation Foods' performance obligations. Curation Foods estimates these sales incentives based on the expected amount to be provided to its customers and reduces revenue recognized towards its performance obligations. The Company has not historically had and does not anticipate significant changes in its estimates for variable consideration.

Lifecore

Lifecore generates revenue from two integrated activities: CDMO and fermentation. CDMO is comprised of aseptic and development services. Lifecore's standard terms of sale are generally included in its contracts and purchase orders. Shipping and other transportation costs charged to customers are recorded in both revenue and cost of goods sold. Lifecore has elected to account for shipping and handling as fulfillment activities, and not as a separate performance obligation. Lifecore's standard payment terms with its customers generally range from 30 days to 60 days.

Aseptic

Lifecore provides aseptic formulation and filling of syringes and vials with precisely formulated medical grade HA and non-HA materials for injectable products used for medical purposes. In instances where our customers contract with us to aseptically fill syringes or vials with our HA, the goods are not distinct in the context of the contract. Lifecore recognizes revenue for these products at the point in time when legal title to the product is transferred to the customer, which is at the time that shipment is made or upon delivery of the product.

Development Services

Lifecore provides product development services to assist its customers in obtaining regulatory approval for the commercial sale of their drug product. These services include activities such as technology development, material component changes, analytical method development, formulation development, pilot studies, stability studies, process validation and production of materials for use within clinical studies. The Company's customers benefit from the expertise of its scientists who have extensive experience performing such tasks.

Each of the promised goods and services are not distinct in the context of the contract as the goods and services are highly interdependent and interrelated. The services described above are significantly affected by each other because Lifecore would not be able to fulfill its promise by transferring each of the goods or services independently.

Revenues generated from development services arrangements are recognized over time as Lifecore is creating an asset without an alternate use as it is unique to the customer. Furthermore, the Company has an enforceable right to payment for the performance completed to date for its costs incurred in satisfying the performance obligation plus a reasonable profit margin. For each of the development activities performed by Lifecore as described above, labor is the primary input (i.e., labor costs represent the majority of the costs incurred in the completion of the services). The Company determined that labor hours are the best measure of progress as it most accurately depicts the effort extended to satisfy the performance obligation over time.

Fermentation

Lifecore manufactures and sells pharmaceutical-grade sodium hyaluronate ("HA") in bulk form to its customers. The HA produced is distinct as customers are able to utilize the product provided under HA supply contracts when they obtain control. Lifecore recognizes revenue for these products at the point in time when legal title to the product is transferred to the customer, which is at the time that shipment is made or upon delivery of the product to our customer.

Impairment Review of Goodwill and Indefinite-Lived Intangible Asset

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

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

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

To determine the fair value of a reporting unit as part of its quantitative test, the Company uses a discounted cash flow ("DCF") method under the income approach, as it believes that this approach is the most reliable indicator of the fair value of its

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

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

During fiscal year 2020, the Company recorded an impairment charge of \$1.1 million and \$3.5 million related to its O and Yucatan Foods trademarks, respectively. The Company also recorded an impairment charge of \$5.2 million and \$2.7 million related to its O and Yucatan Foods goodwill, respectively. The O impairment charges were primarily a result of the recently updated (lowered) financial outlook for the O reporting unit, related to a recent shift in strategic focus within the Curation Foods business segment. The Yucatan Foods' impairment charges were primarily a result of an increase in the Yucatan Foods carrying value and an increase in the discount rate, as a result of uncertainty in forecasting the effects of COVID-19 and general economic uncertainties. These impairment charges are included in the line item "impairment of goodwill and intangible assets" on the Consolidated Statements of Operations, and both are in the Curation Foods business segment. There was no impairment charge during fiscal year 2021.

Income Taxes

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

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

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

Recent Accounting Pronouncements

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

Results of Operations

Revenues:

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

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

(In thousands, except percentages)

| | Year Ended | | Change | | Year Ended | | Change | |
|-----------------------------|-------------------|-------------------|--------------------|-------------|-------------------|-------------------|------------------|-----------|
| | May 30, 2021 | May 31, 2020 | Amount | % | May 31, 2020 | May 26, 2019 | Amount | % |
| Curation Foods | \$ 446,074 | \$ 504,533 | \$ (58,459) | (12)% | \$ 504,533 | \$ 481,686 | \$ 22,847 | 5% |
| Lifecore | 98,087 | 85,833 | 12,254 | 14% | 85,833 | 75,873 | 9,960 | 13% |
| Total Revenues | <u>\$ 544,161</u> | <u>\$ 590,366</u> | <u>\$ (46,205)</u> | <u>(8)%</u> | <u>\$ 590,366</u> | <u>\$ 557,559</u> | <u>\$ 32,807</u> | <u>6%</u> |

Curation Foods

The decrease in Curation Foods' revenues for fiscal year 2021 compared to fiscal year 2020 was primarily due to a \$57.7 million decrease in revenues in the fresh packaged salads and vegetables product line, which was primarily due to (1) a \$35.5 million planned shift away from non-strategic revenue streams, including packaged vegetables in bags and trays, (2) an \$11.6 million decrease in green bean revenues driven by a decrease in demand from food service customers during the COVID-19 pandemic, and (3) a \$6.9 million decrease in salad revenues driven by a decrease in demand during the COVID-19 pandemic.

The increase in Curation Foods' revenues for fiscal year 2020 compared to fiscal year 2019, was primarily due to (1) the addition of Yucatan Foods, which was acquired on December 1, 2018, that contributed a comparative increase of \$34.9 million in revenues, (2) a \$12.7 million increase in salad revenues, and (3) a \$3.1 million increase in BreatheWay revenues. These increases were partially offset by a \$17.3 million planned decrease in revenues from packaged vegetables in bags and trays, and a \$9.0 million decrease in green bean revenues due to weather-related events that resulted in lower yields.

Lifecore

The increase in Lifecore's revenues for fiscal year 2021 compared to fiscal year 2020 was primarily due to a \$10.5 million increase in CDMO revenues resulting from increased demand from existing customers that drove an increase in aseptic filling commercial shipments, and a \$1.7 million increase in fermentation sales due to higher sales to existing customers.

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

Gross Profit:

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

(In thousands, except percentages)

| | Year Ended | | Change | | Year Ended | | Change | |
|---------------------------------|------------------|------------------|-----------------|-----|------------------|------------------|-------------------|-------|
| | May 30, 2021 | May 31, 2020 | Amount | % | May 31, 2020 | May 26, 2019 | Amount | % |
| Curation Foods | \$ 43,209 | \$ 42,105 | \$ 1,104 | 3% | \$ 42,105 | \$ 49,305 | \$ (7,200) | (15)% |
| Lifecore | 38,265 | 32,883 | 5,382 | 16% | 32,883 | 31,698 | 1,185 | 4% |
| Total Gross Profit | <u>\$ 81,474</u> | <u>\$ 74,988</u> | <u>\$ 6,486</u> | 9% | <u>\$ 74,988</u> | <u>\$ 81,003</u> | <u>\$ (6,015)</u> | (7)% |

Curation Foods

The increase in gross profit for the Curation Foods business for fiscal year 2021 compared to fiscal year 2020 was primarily due to an increase in gross profits from avocado products driven by the sale of products in fiscal 2021 produced with lower cost avocados than those used for products sold in fiscal 2020, which was partially offset by (1) the decrease in gross profits primarily driven by the decrease in revenues from our planned shift away from non-strategic fresh packaged salads and vegetables segment revenue streams (primarily packaged vegetables in bags and trays), (2) the decrease in gross profits driven by a decrease in royalty revenue of \$1.6 million due to nonrecurring royalty transactions, and (3) business interruption insurance recoveries received in fiscal year 2020.

The decrease in gross profit for the Curation Foods business for fiscal year 2020 compared to fiscal year 2019 was primarily due to (1) the sale of avocado products that were produced during the fourth quarter of fiscal 2019 and first quarter of fiscal 2020 when the costs of avocados were substantially higher than current production costs, (2) adverse weather-related events impacting raw material supply during fiscal year 2020, and (3) lower gross profit driven by a planned de-emphasis of packaged vegetables in bags and trays. These decreases were partially offset by an increase in gross profits from the increase in BreatheWay revenues.

Lifecore

The increase in Lifecore's gross profit for fiscal year 2021 compared to fiscal year 2020 was primarily due to a 14% increase in revenues, as well as a favorable product mix change in fiscal year 2021. As a result, Lifecore's gross margin increased to 39.0% in fiscal year 2021 from 38.3% in fiscal year 2020.

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

Operating Expenses:

Research and Development (R&D)

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

(In thousands, except percentages)

| | Year Ended | | Change | | Year Ended | | Change | |
|-----------------------------|------------------|------------------|-----------------|--------|------------------|------------------|-----------------|-------|
| | May 30, 2021 | May 31, 2020 | Amount | % | May 31, 2020 | May 26, 2019 | Amount | % |
| Curation Foods | \$ 4,064 | \$ 5,142 | \$ (1,078) | (21)% | \$ 5,142 | \$ 5,444 | \$ (302) | (6)% |
| Lifecore | 6,157 | 5,910 | 247 | 4% | 5,910 | 5,085 | 825 | 16% |
| Other | — | 47 | (47) | (100)% | 47 | 937 | (890) | (95)% |
| Total R&D | <u>\$ 10,222</u> | <u>\$ 11,099</u> | <u>\$ (877)</u> | (8)% | <u>\$ 11,099</u> | <u>\$ 11,466</u> | <u>\$ (367)</u> | (3)% |

The decrease in R&D expenses for fiscal year 2021 compared to fiscal year 2020 was primarily due to (1) a \$1.1 million decrease in our Curation Foods segment primarily driven by a decrease in consulting and other professional services related to a packaging redesign and brand restage, partially offset by (2) an increase in Lifecore's R&D expenses primarily due to higher salary and benefit expenses, including increased headcount.

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

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

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

(In thousands, except percentages)

| | Year Ended | | Change | | Year Ended | | Change | |
|-----------------------------|--------------|--------------|------------|-------|--------------|--------------|-----------|-----|
| | May 30, 2021 | May 31, 2020 | Amount | % | May 31, 2020 | May 26, 2019 | Amount | % |
| Curation Foods | \$ 38,624 | \$ 46,130 | \$ (7,506) | (16)% | \$ 46,130 | \$ 43,828 | \$ 2,302 | 5% |
| Lifecore | 8,305 | 7,688 | 617 | 8% | 7,688 | 6,618 | 1,070 | 16% |
| Other | 18,435 | 18,370 | 65 | —% | 18,370 | 11,616 | 6,754 | 58% |
| Total SG&A | \$ 65,364 | \$ 72,188 | \$ (6,824) | (9)% | \$ 72,188 | \$ 62,062 | \$ 10,126 | 16% |

The decrease in SG&A expenses for fiscal year 2021 compared to fiscal year 2020 was primarily due to a \$7.5 million decrease at Curation Foods primarily due to cost savings driven by our restructuring efforts associated with Project SWIFT and lower salary and related expenses. These decreases were partially offset by a \$0.6 million increase at Lifecore due to increased salary and benefit expenses, including increased headcount.

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

Impairment of Goodwill and Intangible assets, Legal Settlement Charge, and Restructuring Costs

(In thousands, except percentages)

| | Year Ended | | Change | | Year Ended | | Change | |
|---|--------------|--------------|------------|--------|--------------|--------------|-----------|------|
| | May 30, 2021 | May 31, 2020 | Amount | % | May 31, 2020 | May 26, 2019 | Amount | % |
| Impairment of Goodwill and Intangible Assets | \$ — | \$ 12,953 | \$(12,953) | (100)% | \$ 12,953 | \$ — | \$ 12,953 | 100% |
| Legal Settlement Charge | 1,763 | — | 1,763 | 100% | — | — | — | —% |
| Restructuring Costs | 17,621 | 17,285 | 336 | 2% | 17,285 | — | 17,285 | 100% |

During fiscal year 2020, the Company recorded an impairment charge of \$1.1 million and \$3.5 million related to its O and Yucatan Foods trademarks, respectively. The Company also recorded an impairment charge of \$5.2 million and \$2.7 million related to its O and Yucatan Foods goodwill, respectively. The O impairment charges were primarily a result of the recently updated (lowered) financial outlook for the O reporting unit, related to a recent shift in strategic focus within the Curation Foods

business segment. The Yucatan Foods impairment charges were primarily a result of an increase in the Yucatan Foods carrying value and in increase in discount rate, as a result of uncertainty in forecasting the effects of COVID-19 and general economic uncertainties. These impairment charges are included in the line item “impairment of goodwill and intangible assets” on the Consolidated Statements of Operations, and both are in the Curation Foods business segment. Refer to Note 1 - Impairment Review of Goodwill and Indefinite-Lived Intangible Asset in the notes to our consolidated financial statements for more information.

In fiscal year 2021 the Company executed a settlement agreement related to a legal matter with Pacific Harvest, Inc. and Rancho Harvest, Inc., In connection with the settlement agreement, the Company recorded a \$1.8 million charge after considering the total settlement amount and insurance recoveries, and this amount is included in legal settlement charge in the Consolidated Statements of Operations for the fiscal year ended May 30, 2021. Refer to Note 10 - Commitments and Contingencies - Legal Contingencies in the notes to our consolidated financial statements for more information.

During fiscal year 2020, the Company announced a restructuring plan to drive enhanced profitability, focus the business on its strategic assets and redesign the organization to be the appropriate size to compete and thrive. This includes a reduction-in-force, a reduction in leased office spaces and the sale of non-strategic assets. The Company recorded \$17.6 million and \$17.3 million in fiscal years 2021 and 2020, respectively, related to the restructuring plan. Refer to Note 14 - Restructuring Costs in the notes to our consolidated financial statements for more information.

Other:

(In thousands, except percentages)

| | Year Ended | | Change | | Year Ended | | Change | |
|---|-----------------|-----------------|------------|-------|-----------------|-----------------|----------|-------|
| | May 30, 2021 | May 31, 2020 | Amount | % | May 31, 2020 | May 26, 2019 | Amount | % |
| Dividend Income | \$ 1,125 | \$ 1,125 | \$ — | —% | \$ 1,125 | \$ 1,650 | \$ (525) | (32)% |
| Interest Income | 48 | 103 | \$ (55) | (53)% | 103 | 145 | (42) | (29)% |
| Interest Expense | (15,344) | (9,603) | \$ (5,741) | 60% | (9,603) | (5,230) | (4,373) | 84% |
| Loss on Debt Refinancing | (1,110) | — | \$ (1,110) | —% | — | — | — | —% |
| Other Income (Expense) | (11,689) | (4,395) | \$ (7,294) | 166% | (4,395) | 1,600 | (5,995) | N/M |
| Income Tax (Expense) Benefit | 7,801 | 13,116 | \$ (5,315) | (41) | 13,116 | (1,518) | 14,634 | N/M |

Dividend Income

Dividend income is derived from the dividends accrued during each period on the Company’s previously held \$15.0 million Senior A and \$7.0 million Senior B preferred stock investment in Windset, which each yielded a cash dividend of 7.5% annually. There was no change in dividend income for the fiscal year ended May 30, 2021 compared to May 31, 2020. The decrease in dividend income for fiscal year 2020 compared to fiscal year 2019 was due to the sale of the Company’s previously held \$7.0 million Senior B preferred stock to Windset in the fourth quarter of fiscal year 2019.

Subsequent to fiscal year end 2021, the Company sold its remaining investment in Windset on June 1, 2021.

Interest Income

The decrease in interest income in fiscal year 2021 compared to fiscal year 2020, and 2020 compared to fiscal 2019 was not significant.

Interest Expense

The increase in interest expense during fiscal year 2021 compared to fiscal year 2020 was primarily the result of (i) an increased interest rate, due to the Company’s increased Total Leverage Ratio (as defined in the Credit Agreement), combined with our debt refinancing in December 2020 at higher interest rates, (ii) an increase in deferred financing costs from those incurred in connection with the Company’s amendments to the Credit Agreement since May 31, 2020 combined with our debt refinancing in December 2020, and (iii) an increase in total outstanding debt from \$190.3 million as of May 31, 2020 to \$193.9 million as of May 30, 2021.

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

Loss on Debt Refinancing

The loss on debt refinancing was due to a write-off of unamortized debt issuance costs in connection with the Company refinancing its debt in December 2020.

Other Income (Expense)

The decrease in other income (expense) for fiscal year 2021 was primarily the result of the change in fair value of the Company's previously held investment in Windset, which decreased \$11.8 million for the twelve months ended May 30, 2021, compared to a decrease of \$4.2 million for the twelve months ended May 31, 2020.

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

Subsequent to fiscal year end 2021, the Company sold its investment in Windset on June 1, 2021.

Income Tax (Expense) Benefit

The change in income tax (expense) benefit for fiscal year 2021 compared to fiscal year 2020 was primarily due to the Company's reduction in net loss before income taxes and the Company's effective tax rate decreasing to 19% in fiscal year 2021 from 26% in fiscal year 2020. The effective tax rate differs for fiscal year 2021 from the statutory federal income tax rate of 21% as a result of several factors, including the Company's benefit of federal and state research and development credits, and the change in valuation allowance established against federal, California, and other state attributes expected to expire prior to recognition.

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

Liquidity and Capital Resources

As of May 30, 2021, the Company had cash and cash equivalents of \$1.3 million, a net increase of \$0.9 million from \$0.4 million at May 31, 2020.

Cash Flows from Operating Activities

Net cash provided by operating activities during fiscal year 2021 was \$15.0 million compared to the use of \$17.0 million of cash from operating activities during fiscal year 2020. The primary sources of net cash provided by operating activities during fiscal year 2021 were from (1) Lifecore's net income from continuing operations and (2) a net decrease of \$8.9 million in working capital. These sources of cash were offset by Curation Foods and Other operating loss from continuing operations.

The primary factors for the decrease in working capital during fiscal year 2021 were (1) a \$7.9 million decrease in prepaid expenses and other current assets primarily due to the Company's receipt of income tax refunds related to fiscal year 2020's net loss from continuing operations before taxes and carrybacks of net operating losses related to the CARES Act, (2) a \$5.8 million decrease in accounts receivable driven by an decrease in Curation Foods' revenues in the fourth quarter of fiscal year 2021 compared to fiscal year 2020 coupled with timing of customer payments, and (3) a \$3.3 million increase in accrued compensation primarily related to the amount and timing of bonus payments and deferred payroll taxes under the CARES Act. These decreases in working capital during 2021 were partially offset by (1) a \$6.0 million decrease in accounts payable primarily due to the timing of cash payments and (2) a \$3.4 million increase in inventory primarily to support the planned sales growth at Lifecore.

Cash Flows from Investing Activities

Net cash used in investing activities for fiscal year 2021 was \$10.9 million compared to \$23.9 million for the same period last year. The use of cash in investing activities for fiscal year 2021, was primarily due to the purchase of \$23.8 million of equipment to support the growth of the Company's Lifecore and Curation Foods businesses, partially offset by the receipt of \$12.9 million primarily related to the sale of Curation Foods' factories in Hanover, Pennsylvania and Ontario, California.

Cash Flows from Financing Activities

Net cash used in financing activities for fiscal year 2021 was \$3.4 million compared to \$40.0 million of net cash provided by financing activities for the same period last year. The net cash used by financing activities during fiscal year 2021 was primarily due to the \$48.4 million net pay down on the Company's revolving line of credit and \$10.5 million of debt issuance costs incurred to refinance the Company's term loan and revolving line of credit. The net cash used by these financing activities was primarily offset by the \$55.9 million of net cash received from the increase in the Company's refinanced term loan.

Capital Expenditures

Landec incurred \$23.8 million of capital expenditures during fiscal year 2021, which were primarily represented by continued facility modifications and expansions and equipment purchases intended to increase production capacity to support the growth and increased production efficiency of the Lifecore and Curation Foods businesses. Capital expenditures incurred during fiscal year 2020 were \$26.7 million.

Debt

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

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

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

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

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

On December 31, 2020, the Company refinanced its existing Term Loan and Revolver by entering into two separate Credit Agreements (the "New Credit Agreements") with BMO and Goldman Sachs Specialty Lending Group, L.P. ("Goldman") and Guggenheim Credit Services, LLC ("Guggenheim"), as lenders (collectively, the "Refinance Lenders"). Pursuant to the credit agreement related to the revolving credit facility, BMO has provided the Company, Curation Foods and Lifecore, as co-borrowers, with an up to \$75.0 million revolving line of credit (the "Refinance Revolver") and serves as administrative agent of the Refinance Revolver. Pursuant to the credit agreement related to the term loan, Goldman and Guggenheim have provided the Company, Curation Foods and Lifecore, as co-borrowers, with an up to \$170.0 million term loan facility (split equally between Goldman and Guggenheim) (the "Refinance Term Loan") and Goldman serves as administrative agent of the Refinance Term

Loan. The Refinance Revolver and Refinance Term Loan are guaranteed, and secured by, substantially all of the Company's and the Company's direct and indirect subsidiaries' assets.

The Refinance Term Loan matures on December 31, 2025. The Refinance Revolver matures on December 31, 2025 or, if the Refinance Term Loan remains outstanding on such date, ninety (90) days prior to the maturity date of the Refinance Term Loan (on October 2, 2025).

The Refinance Term Loan provides for principal payments by the Company of 5% per annum, payable quarterly in arrears in equal installments, commencing on March 30, 2023, with the remainder due at maturity.

Interest on the Refinance Revolver is based upon the Company's average availability, at a per annum rate of either (i) LIBOR rate plus a spread of between 2.00% and 2.50% or (ii) base rate plus a spread of between 1.00% and 1.50%, plus a commitment fee, as applicable, of 0.375%. Interest on the Refinance Term Loan is at a per annum rate based on either (i) the base rate plus a spread of 7.50% or (ii) the LIBOR rate plus a spread of 8.50%.

The New Credit Agreements provide the Company the right to increase the revolver commitments under the Refinance Revolver, subject to the satisfaction of certain conditions (including consent from BMO), by obtaining additional commitments from either BMO or another lending institution at an amount of up to \$15.0 million.

The New Credit Agreements contain customary financial covenants and events of default under which the obligations thereunder could be accelerated and/or the interest rate increased in specified circumstances.

In connection with the New Credit Agreements, the Company incurred debt issuance costs from the lender and third-parties of \$10.2 million.

Concurrent with the close of the New Credit Agreements, the Company repaid all outstanding borrowings under the current Credit Agreement, and terminated the Credit Agreement. In connection with the repayment of borrowings under the Credit Agreement, the Company recognized a loss in fiscal year 2021 of \$1.1 million, as a result of the non-cash write-off of unamortized debt issuance costs related to the refinancing under the New Credit Agreements.

As of May 30, 2021, (i) \$29.0 million was outstanding on the Refinance Revolver, at an interest rate of 3.0%, (ii) \$170.0 million was outstanding on the Refinance Term Loan, at an interest rate of 9.5%, and (iii) the Company was in compliance with all financial covenants and had no events of default under the New Credit Agreements.

Contractual Obligations

The Company's material contractual obligations for the next five years and thereafter as of May 30, 2021, are as follows:

| <i>(in thousands)</i> | Due in Fiscal Year Ended May | | | | | | |
|--|------------------------------|------------------|------------------|------------------|------------------|-------------------|------------------|
| | Total | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter |
| Debt obligations..... | \$ 199,000 | \$ — | \$ 2,125 | \$ 8,469 | \$ 8,422 | \$ 179,984 | \$ — |
| Interest payments associated with debt obligations | 73,400 | 17,197 | 17,178 | 16,860 | 13,207 | 8,958 | — |
| Finance leases | 3,974 | 466 | 3,497 | 9 | 2 | — | — |
| Operating leases..... | 32,758 | 4,850 | 4,052 | 3,263 | 2,502 | 2,015 | 16,076 |
| Purchase commitments | 75,441 | 20,344 | 6,179 | 5,985 | 5,604 | 5,604 | 31,725 |
| Total..... | <u>\$ 384,573</u> | <u>\$ 42,857</u> | <u>\$ 33,031</u> | <u>\$ 34,586</u> | <u>\$ 29,737</u> | <u>\$ 196,561</u> | <u>\$ 47,801</u> |

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

The Company's future capital requirements will depend on numerous factors, including the progress of its research and development programs; the continued development of marketing, sales and distribution capabilities; the ability of the Company to establish and maintain new licensing arrangements; the costs associated with employment-related claims; any decision to pursue additional acquisition opportunities; weather conditions that can affect the supply and price of produce, the timing and

amount, if any, of payments received under licensing and research and development agreements; the costs involved in preparing, filing, prosecuting, defending, and enforcing intellectual property rights; the ability to comply with regulatory requirements; the emergence of competitive technology and market forces; the effectiveness of product commercialization activities and arrangements; and other factors. If the Company's currently available funds, together with the internally generated cash flow from operations are not sufficient to satisfy its capital needs, the Company would be required to seek additional funding through other arrangements with collaborative partners, additional bank borrowings and public or private sales of its securities. There can be no assurance that additional funds, if required, will be available to the Company on favorable terms, if at all.

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

Off-Balance Sheet Arrangements

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Exposure

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

On December 31, 2020, the Company refinanced its existing Term Loan and Revolver by entering into two separate Credit Agreements (the "New Credit Agreements") with BMO and Goldman Sachs Specialty Lending Group, L.P. ("Goldman") and Guggenheim Credit Services, LLC ("Guggenheim"), as lenders (collectively, the "Refinance Lenders"). Pursuant to the credit agreement related to the revolving credit facility, BMO has provided the Company, Curation Foods and Lifecore, as co-borrowers, with an up to \$75.0 million revolving line of credit (the "Refinance Revolver") and serves as administrative agent of the Refinance Revolver. Pursuant to the credit agreement related to the term loan, Goldman and Guggenheim have provided the Company, Curation Foods and Lifecore, as co-borrowers, with an up to \$170.0 million term loan facility (split equally between Goldman and Guggenheim) (the "Refinance Term Loan") and Goldman serves as administrative agent of the Refinance Term Loan. The Refinance Revolver and Refinance Term Loan are guaranteed, and secured by, substantially all of the Company's and the Company's direct and indirect subsidiaries' assets.

Interest on the Refinance Revolver is based upon the Company's average availability, at a per annum rate of either (i) LIBOR rate plus a spread of between 2.00% and 2.50% or (ii) base rate plus a spread of between 1.00% and 1.50%, plus a commitment fee, as applicable, of 0.375%. Interest on the Refinance Term Loan is at a per annum rate based on either (i) the base rate plus a spread of 7.50% or (ii) the LIBOR rate plus a spread of 8.50%.

A hypothetical 100 basis point increase or decrease in weighted average interest rates under our Refinance Revolver, based upon the face value of such instruments, would increase our interest expense by approximately \$0.3 million over a twelve-month period.

Foreign Currency Exposure

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

Item 8. Financial Statements and Supplementary Data

See Item 15 of Part IV of this report.

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

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of May 30, 2021, our management evaluated, with participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective in ensuring that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission, and are effective in providing reasonable assurance that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control - Integrated Framework (2013 Framework)*. Our management has concluded that we maintained effective internal control over financial reporting as of May 30, 2021.

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

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

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended May 30, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None

PART III

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

This information required by this item will be contained in the Registrant's definitive proxy statement or in an amendment to this Annual Report on Form 10-K to be filed with the Securities and Exchange Commission not later than September 27, 2021 (120 days after the Registrant's fiscal year end covered by this Annual Report on Form 10-K) and is incorporated herein by reference.

Item 11. *Executive Compensation*

This information required by this item will be contained in the Registrant's definitive proxy statement or in an amendment to this Annual Report on Form 10-K to be filed with the Securities and Exchange Commission not later than September 27, 2021 (120 days after the Registrant's fiscal year end covered by this Annual Report on Form 10-K) and is incorporated herein by reference.

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

This information required by this item will be contained in the Registrant's definitive proxy statement or in an amendment to this Annual Report on Form 10-K to be filed with the Securities and Exchange Commission not later than September 27, 2021 (120 days after the Registrant's fiscal year end covered by this Annual Report on Form 10-K) and is incorporated herein by reference.

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

This information required by this item will be contained in the Registrant's definitive proxy statement or in an amendment to this Annual Report on Form 10-K to be filed with the Securities and Exchange Commission not later than September 27, 2021 (120 days after the Registrant's fiscal year end covered by this Annual Report on Form 10-K) and is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services*

This information required by this item will be contained in the Registrant's definitive proxy statement or in an amendment to this Annual Report on Form 10-K to be filed with the Securities and Exchange Commission not later than September 27, 2021 (120 days after the Registrant's fiscal year end covered by this Annual Report on Form 10-K) and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

| | |
|---|-------------|
| (a) 1. Consolidated Financial Statements of Landec Corporation | <u>Page</u> |
| Report of Independent Registered Public Accounting Firm..... | 36 |
| Consolidated Balance Sheets at May 30, 2021 and May 31, 2020..... | 39 |
| Consolidated Statements of Operations for the Years Ended May 30, 2021, May 31, 2020 and May 26, 2019..... | 40 |
| Consolidated Statements of Comprehensive (Loss) Income for the Years Ended May 30, 2021, May 31, 2020 and May 26, 2019. | 41 |
| Consolidated Statements of Changes in Stockholders' Equity for the Years Ended May 30, 2021, May 31, 2020 and May 26, 2019..... | 42 |
| Consolidated Statements of Cash Flows for the Years Ended May 30, 2021, May 31, 2020, and May 26, 2019. . | 43 |
| Notes to Consolidated Financial Statements | 44 |
| 2. All schedules provided for in the applicable accounting regulations of the Securities and Exchange Commission have been omitted since they pertain to items which do not appear in the financial statements of Landec Corporation and its subsidiaries or to items which are not significant or to items as to which the required disclosures have been made elsewhere in the financial statements and supplementary notes and such schedules. | |
| 3. Index of Exhibits | 78 |
| The exhibits listed in the accompanying Index of Exhibits are filed or incorporated by reference as part of this report. | |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Landec Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Landec Corporation and subsidiaries (the Company) as of May 30, 2021 and May 31, 2020, and the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity and cash flows for each of the three years in the period ended May 30, 2021, 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 30, 2021 and May 31, 2020, and the results of its operations and its cash flows for each of the three years in the period ended May 30, 2021, 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 30, 2021, 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 July 29, 2021 expressed an unqualified 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Goodwill and Trademarks/tradenames with Indefinite lives

Description of the Matter At May 30, 2021, the Company's goodwill was \$69.3 million and trademarks/tradenames with indefinite lives was \$25.3 million. The carrying values of the Company's Yucatan reporting unit's goodwill and trademarks/tradenames with indefinite lives were \$20.0 million and \$12.4 million, respectively at May 30, 2021. As discussed in Note 1 of the consolidated financial statements, goodwill and trademarks/tradenames with indefinite lives are assessed by the Company's management for impairment at least annually, in the fiscal fourth quarter, unless there are indications of impairment at other points throughout the year. Goodwill is tested for impairment at the reporting unit level. The Company measured the fair value of the goodwill using an income approach and the fair value of trademarks/tradenames using a royalty savings method.

Auditing the Company's annual impairment test related to the Yucatan reporting unit's goodwill and trademarks/tradenames with indefinite lives is complex and highly judgmental and required the involvement of our valuation specialist due to the significant judgment in estimating their fair values. In particular, the fair value estimate of the Yucatan reporting unit's goodwill is sensitive to assumptions such as net sales growth rates, gross margins and discount rate. The Yucatan reporting unit's trademarks/tradenames with indefinite lives are sensitive to assumptions such as net sales growth rates, royalty rate and discount rate. These assumptions are forward-looking and sensitive to and affected by expected future market or economic conditions and industry and company-specific qualitative factors.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's impairment review process related to the goodwill and trademarks/tradenames with indefinite lives. This included evaluating controls over the Company's budgetary and forecasting process used to develop the estimated future earnings and cash flows used in estimating the fair value of the Yucatan reporting unit and trademarks/tradenames with indefinite lives. We also tested controls over management's review of the data used in their valuation models and review of the significant assumptions described above.

To test the estimated fair value of the Yucatan reporting unit and trademarks/tradenames with indefinite lives, we performed audit procedures that included, among others, assessing the methodologies, testing the significant assumptions discussed above used to develop the estimates of future earnings and cash flows and testing the completeness and accuracy of the underlying data. We compared the significant assumptions used by management to current industry and economic trends, the Company's historical results and other guideline companies within the same industry and evaluated how changes in the Company's business may affect the significant assumptions. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the change in the fair value of the Yucatan reporting unit and trademarks/tradenames with indefinite lives resulting from changes in these assumptions. We involved our valuation specialists to assist in reviewing the valuation methodology and the royalty and discount rate assumptions. In addition, for goodwill we also tested the Company's calculation of implied multiples of the reporting units, compared them to guideline companies and evaluated the resulting premium. For trademarks/tradenames with indefinite lives, where applicable, we also assessed whether the assumptions used were consistent with those used in the goodwill impairment review process.

/s/ Ernst & Young LLP

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

San Francisco, California
July 29, 2021

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 30, 2021, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Landec Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of May 30, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of May 30, 2021 and May 31, 2020, and the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity and cash flows for each of the three years in the period ended May 30, 2021, and the related notes and our report dated July 29, 2021 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
July 29, 2021

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

| | May 30, 2021 | May 31, 2020 |
|--|--------------|--------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents..... | \$ 1,295 | \$ 360 |
| Accounts receivable, less allowance for credit losses..... | 70,013 | 76,206 |
| Inventories..... | 69,663 | 66,311 |
| Prepaid expenses and other current assets..... | 7,350 | 14,230 |
| Total Current Assets | 148,321 | 157,107 |
| Investment in non-public company, fair value..... | 45,100 | 56,900 |
| Property and equipment, net | 179,559 | 192,338 |
| Operating lease right-of-use assets | 20,827 | 25,321 |
| Goodwill | 69,386 | 69,386 |
| Trademarks/tradenames, net | 25,328 | 25,328 |
| Customer relationships, net..... | 10,792 | 12,777 |
| Other assets..... | 3,611 | 2,156 |
| Total Assets | \$ 502,924 | \$ 541,313 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$ 47,569 | \$ 51,647 |
| Accrued compensation | 12,304 | 9,034 |
| Other accrued liabilities | 7,996 | 9,978 |
| Current portion of lease liabilities | 3,889 | 4,423 |
| Deferred revenue..... | 1,130 | 352 |
| Line of credit..... | 29,000 | 77,400 |
| Current portion of long-term debt, net | — | 11,554 |
| Total Current Liabilities | 101,888 | 164,388 |
| Long-term debt, net | 164,902 | 101,363 |
| Long-term lease liabilities | 23,611 | 26,378 |
| Deferred taxes, net | 6,140 | 13,588 |
| Other non-current liabilities..... | 3,599 | 4,552 |
| Total Liabilities..... | 300,140 | 310,269 |
| Stockholders' Equity: | | |
| Common stock, \$0.001 par value; 50,000 shares authorized; 29,333 and 29,224 shares issued and outstanding at May 30, 2021 and May 31, 2020, respectively..... | 29 | 29 |
| Additional paid-in capital..... | 165,533 | 162,578 |
| Retained earnings | 38,580 | 71,245 |
| Accumulated other comprehensive loss..... | (1,358) | (2,808) |
| Total Stockholders' Equity | 202,784 | 231,044 |
| Total Liabilities and Stockholders' Equity | \$ 502,924 | \$ 541,313 |

See accompanying notes to the consolidated financial statements.

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

| | Year Ended | | |
|---|--------------|--------------|--------------|
| | May 30, 2021 | May 31, 2020 | May 26, 2019 |
| Product sales | \$ 544,161 | \$ 590,366 | \$ 557,559 |
| Cost of product sales..... | 462,687 | 515,378 | 476,556 |
| Gross profit | 81,474 | 74,988 | 81,003 |
| Operating costs and expenses: | | | |
| Research and development..... | 10,222 | 11,099 | 11,466 |
| Selling, general and administrative | 65,364 | 72,188 | 62,062 |
| Impairment of goodwill and intangible assets..... | — | 12,953 | 2,000 |
| Legal settlement charge..... | 1,763 | — | — |
| Restructuring costs..... | 17,621 | 17,285 | — |
| Total operating costs and expenses..... | 94,970 | 113,525 | 75,528 |
| Operating (loss) income..... | (13,496) | (38,537) | 5,475 |
| Dividend income..... | 1,125 | 1,125 | 1,650 |
| Interest income..... | 48 | 103 | 145 |
| Interest expense, net..... | (15,344) | (9,603) | (5,230) |
| Loss on debt refinancing..... | (1,110) | — | — |
| Other (expense) income, net..... | (11,689) | (4,395) | 1,600 |
| Net (loss) income from continuing operations before taxes | (40,466) | (51,307) | 3,640 |
| Income tax benefit (expense)..... | 7,801 | 13,116 | (1,518) |
| Net (loss) income from continuing operations..... | (32,665) | (38,191) | 2,122 |
| Discontinued operations: | | | |
| Loss from discontinued operations | — | — | (2,238) |
| Income tax benefit..... | — | — | 527 |
| Loss from discontinued operations, net of tax | — | — | (1,711) |
| Net (loss) income..... | (32,665) | (38,191) | 411 |
| Basic net (loss) income per share: | | | |
| (Loss) income from continuing operations | \$ (1.12) | \$ (1.31) | \$ 0.07 |
| Loss from discontinued operations | — | — | (0.06) |
| Total basic net (loss) income per share..... | \$ (1.12) | \$ (1.31) | \$ 0.01 |
| Diluted net (loss) income per share: | | | |
| (Loss) income from continuing operations | \$ (1.12) | \$ (1.31) | \$ 0.07 |
| (Loss) from discontinued operations..... | — | — | (0.06) |
| Total diluted net (loss) income per share..... | \$ (1.12) | \$ (1.31) | \$ 0.01 |
| Shares used in per share computation: | | | |
| Basic..... | 29,294 | 29,162 | 28,359 |
| Diluted..... | 29,294 | 29,162 | 28,607 |

See accompanying notes to the consolidated financial statements.

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

| | Year Ended | | |
|---|--------------------|--------------------|-----------------|
| | May 30, 2021 | May 31, 2020 | May 26, 2019 |
| Net (loss) income..... | \$ (32,665) | \$ (38,191) | \$ 411 |
| Other comprehensive (loss) income, net of tax: | | | |
| Net unrealized gains (losses) on interest rate swaps, (net of tax effect of (\$445), \$878, and \$282) | 1,450 | (2,872) | (1,084) |
| Other comprehensive (loss) income, net of tax..... | 1,450 | (2,872) | (1,084) |
| Total comprehensive loss..... | <u>\$ (31,215)</u> | <u>\$ (41,063)</u> | <u>\$ (673)</u> |

See accompanying notes to the consolidated financial statements.

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

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
|--|--------------|--------|----------------------------------|----------------------|---|----------------------------------|
| | Shares | Amount | | | | |
| Balance at May 27, 2018 | 27,702 | \$ 28 | \$ 142,087 | \$ 109,299 | \$ 1,148 | \$ 252,562 |
| Issuance of stock under stock plans, net of shares withheld..... | 197 | — | 327 | — | — | 327 |
| Issuance of common stock in connection with Yucatan Foods acquisition..... | 1,203 | 1 | 15,067 | — | — | 15,068 |
| Taxes paid by Company for employee stock plans | — | — | (700) | — | — | (700) |
| Stock-based compensation..... | — | — | 3,560 | — | — | 3,560 |
| Net income..... | — | — | — | 411 | — | 411 |
| Other comprehensive loss, net of tax | — | — | — | — | (1,084) | (1,084) |
| Balance at May 26, 2019 | 29,102 | 29 | 160,341 | 109,710 | 64 | 270,144 |
| ASC 842 transition adjustment | — | — | — | (274) | — | (274) |
| Issuance of stock under stock plans, net of shares withheld..... | 122 | — | 30 | — | — | 30 |
| Taxes paid by Company for employee stock plans | — | — | (212) | — | — | (212) |
| Stock-based compensation..... | — | — | 2,419 | — | — | 2,419 |
| Net loss | — | — | — | (38,191) | — | (38,191) |
| Other comprehensive loss, net of tax | — | — | — | — | (2,872) | (2,872) |
| Balance at May 31, 2020 | 29,224 | 29 | 162,578 | 71,245 | (2,808) | 231,044 |
| Issuance of stock under stock plans, net of shares withheld..... | 109 | — | — | — | — | — |
| Taxes paid by Company for employee stock plans | — | — | (405) | — | — | (405) |
| Stock-based compensation..... | — | — | 3,360 | — | — | 3,360 |
| Net loss | — | — | — | (32,665) | — | (32,665) |
| Other comprehensive income, net of tax | — | — | — | — | 1,450 | 1,450 |
| Balance at May 30, 2021 | 29,333 | \$ 29 | \$ 165,533 | \$ 38,580 | \$ (1,358) | \$ 202,784 |

See accompanying notes to the consolidated financial statements.

LANDEC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

| | Year Ended | | |
|--|-----------------|-----------------|-----------------|
| | May 30, 2021 | May 31, 2020 | May 26, 2019 |
| Cash flows from operating activities: | | | |
| Net (loss) income | \$ (32,665) | \$ (38,191) | \$ 411 |
| Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities: | | | |
| Depreciation, amortization of intangibles, debt costs and right-of-use assets..... | 19,867 | 18,838 | 15,230 |
| Loss on debt refinancing | 1,110 | — | — |
| Stock-based compensation expense | 3,360 | 2,419 | 3,560 |
| Provision (benefit) for expected credit losses | 418 | (284) | 421 |
| Deferred taxes..... | (7,893) | (5,440) | 910 |
| Change in investment in non-public company, fair value | 11,800 | 4,200 | (1,600) |
| Net loss on disposal of property and equipment held and used..... | 61 | 143 | 188 |
| Loss on disposal of property and equipment related to restructuring, net..... | 10,143 | 14,802 | — |
| Other, net | (74) | 195 | — |
| Impairment of goodwill and intangible assets | — | 12,953 | 2,000 |
| Change in contingent consideration liability..... | — | (500) | (3,500) |
| Pacific Harvest note receivable reserve | — | 1,202 | — |
| Changes in current assets and current liabilities: | | | |
| Accounts receivable, net | 5,775 | (6,357) | (9,281) |
| Inventory | (3,352) | (12,179) | (10,929) |
| Prepaid expenses and other current assets | 7,941 | (6,815) | 1,601 |
| Accounts payable..... | (5,982) | (1,249) | 19,116 |
| Accrued compensation | 3,270 | (1,894) | 249 |
| Other accrued liabilities..... | 460 | 1,263 | 21 |
| Deferred revenue | 778 | (147) | (2,377) |
| Net cash provided by (used in) operating activities..... | <u>15,017</u> | <u>(17,041)</u> | <u>16,020</u> |
| Cash flows from investing activities: | | | |
| Purchases of property and equipment | (23,769) | (26,686) | (44,734) |
| Proceeds from sales of property and equipment..... | 12,913 | 2,434 | 264 |
| Proceeds from collections of notes receivable | — | 364 | 545 |
| Proceeds from sale of investment in non-public company | — | — | 7,000 |
| Acquisition of Yucatan Foods (Note 2), net of cash acquired..... | — | — | (59,872) |
| Net cash used in investing activities | <u>(10,856)</u> | <u>(23,888)</u> | <u>(96,797)</u> |
| Cash flows from financing activities: | | | |
| Proceeds from long-term debt..... | 170,000 | 27,500 | 60,000 |
| Payments on long-term debt | (114,130) | (11,125) | (5,092) |
| Proceeds from lines of credit | 100,000 | 119,300 | 59,000 |
| Payments on lines of credit | (148,400) | (93,900) | (34,000) |
| Payments for debt issuance costs | (10,484) | (1,576) | (509) |
| Taxes paid by Company for employee stock plans | (405) | (212) | (700) |
| Proceeds from sale of common stock | — | 30 | 327 |
| Net cash (used in) provided by financing activities..... | <u>(3,419)</u> | <u>40,017</u> | <u>79,026</u> |
| Net increase (decrease) in cash, cash equivalents and restricted cash..... | 742 | (912) | (1,751) |
| Cash, cash equivalents and restricted cash, beginning of period..... | \$ 553 | \$ 1,465 | \$ 3,216 |
| Cash, cash equivalents and restricted cash, end of period..... | <u>\$ 1,295</u> | <u>\$ 553</u> | <u>\$ 1,465</u> |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid during the period for interest..... | \$ 13,223 | \$ 10,130 | \$ 5,614 |
| Cash paid during the period for income taxes, net of refunds received..... | \$ (7,680) | \$ (1,124) | \$ (1,963) |
| Supplemental disclosure of non-cash investing and financing activities: | | | |
| Purchases of property and equipment on trade vendor credit..... | \$ 4,724 | \$ 2,820 | \$ 3,948 |

See accompanying notes to the consolidated financial statements.

LANDEC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Organization

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

Landec’s biomedical company, Lifecore Biomedical, Inc. (“Lifecore”), is a fully integrated contract development and manufacturing organization (“CDMO”) that offers highly differentiated capabilities in the development, fill and finish of sterile, injectable-grade pharmaceutical products in syringes and vials. As a leading manufacturer of premium, injectable grade Hyaluronic Acid, Lifecore brings 36 years of expertise as a partner for global and emerging biopharmaceutical and biotechnology companies across multiple therapeutic categories to bring their innovations to market. Lifecore recognizes revenue in two different product categories, CDMO and Fermentation.

Landec’s natural food company, Curation Foods, Inc. (“Curation Foods”), is focused on innovating and distributing plant-based foods with 100% clean ingredients to retail, club and foodservice channels throughout North America. Curation Foods is able to maximize product freshness through its geographically dispersed family of growers, refrigerated supply chain and patented BreatheWay packaging technology. Its products are sold in natural food, conventional grocery and mass retail stores, primarily in the United States and Canada. The company categorizes revenue in three categories, fresh packaged salads and vegetables, avocado products and technology which reports revenues for BreatheWay patented supply chain solutions. Included in the Curation Foods segment and fresh packaged salads and vegetables revenue disaggregation is *O* Olive Oil & Vinegar (“*O*”), which is a premier producer of California specialty olive oils and wine vinegars. Also included in the Curation Foods segment are the dividends and Landec’s share of the change in the fair market value of the Company’s 26.9% investment ownership of Windset Holdings 2010 Ltd. (“Windset”), a leading edge grower of hydroponically-grown produce.

Basis of Presentation and Consolidation

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

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

In May 2019, the Company discontinued the Now Planting business. As a result, the Now Planting business, which was launched during the second quarter of fiscal year 2019, was reclassified as a discontinued operation for all periods presented.

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 equity investment in the non-public company by the Company is not a VIE.

Reclassifications

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

Summary of Significant Accounting Policies

Use of Estimates

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

During the fiscal year ended May 30, 2021, sales to the Company's top five customers accounted for approximately 49% of total revenue with the top two customers from the Curation Foods segment, Walmart, Inc. ("Walmart") and Costco Corporation ("Costco") accounting for approximately 16% and 15%, respectively, of total revenues. During the fiscal year ended May 31, 2020, sales to the Company's top five customers accounted for approximately 48% of total revenue with the top two customers from the Curation Foods segment, Walmart and Costco accounting for approximately 18% and 15%, respectively, of total revenues.

As of May 30, 2021, the top two customers, Walmart and Costco represented approximately 11% and 8%, respectively, of total accounts receivable. Lifecore had one customer that represented 11% of total accounts receivable at the end of fiscal year 2021. As of May 31, 2020, the top two customers, Walmart and Costco represented approximately 13% and 7%, respectively, of total accounts receivable. Lifecore had one customer that represented 12% of total accounts receivable at the end of fiscal year 2020.

Impairment of Long-Lived Assets

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

Financial Instruments

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

Cash Flow Hedges

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

For derivative instruments that hedge the exposure to variability in expected future cash flows and are designated as cash flow hedges, the entire change in the fair value of the hedging instrument is recorded as a component of Accumulated other comprehensive loss (“AOCL”) in Stockholders’ Equity. Those amounts are subsequently reclassified to earnings in the same line item in the Consolidated Statement of Operations as impacted when the hedged item affects earnings. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions.

During the third quarter of fiscal year 2021, the Company discontinued its hedge accounting prospectively since it was determined that the derivatives are no longer highly effective in offsetting changes in the net investment. The derivatives continue to be carried at fair value in the accompanying Consolidated Balance Sheets with changes in their fair values from the date of discontinued hedge accounting recognized in current period earnings in Other expense (income), net in the Consolidated Statements of Operations. Amounts previously accumulated in AOCL during the period of effectiveness will continue to be realized over the remaining term of the underlying forecasted debt payments as a component of AOCL in Stockholders’ Equity.

Accumulated Other Comprehensive Loss

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

| | AOCL |
|--|------------|
| Balance as of May 31, 2020..... | \$ (2,808) |
| Other comprehensive loss before reclassifications, net of tax effect | (344) |
| Amounts reclassified from OCI | 1,794 |
| Other comprehensive (loss) income, net..... | 1,450 |
| Balance as of May 30, 2021..... | \$ (1,358) |

The Company expects to reclassify approximately \$1.1 million into earnings in the next 12 months.

Based on these assumptions, management believes the fair market values of the Company’s financial instruments are not significantly different from their recorded amounts as of May 30, 2021 and May 31, 2020.

Accounts Receivable, Sales Returns and Allowance for Credit Losses

The Company carries its accounts receivable at their face amounts less an allowance for estimated sales returns and credit losses. Sales return allowances are estimated based on historical sales return amounts.

The Company uses the loss rate method to estimate its expected credit losses on trade accounts receivable and contract assets. In order to estimate expected credit losses, the Company assessed recent historical experience, current economic conditions and any reasonable and supportable forecasts to identify risk characteristics that are shared within the financial asset. These risk characteristics are then used to bifurcate the loss rate method into risk pools. The risk pools were determined based on the industries in which the Company operates. Historical credit loss for each risk pool is then applied to the current period aging as presented in the identified risk pools to determine the needed reserve allowance. At times when there are no current economic conditions or forecasts that may affect future credit losses, the Company has determined that recent historical experience provides the best basis for estimating credit losses.

The information obtained from assessing historical experience, current economic conditions and reasonable and supportable forecasts were used to identify risk characteristics that can affect future credit loss experience. There were no

significant risk characteristics identified in the review of historical experiences or in the review of estimates of current economic conditions and forecasts.

Estimating credit losses based on risk characteristics requires significant judgment by management. Significant judgments include, but are not limited to: assessing current economic conditions and the extent to which they are relevant to the existing characteristics of the Company's financial assets, the estimated life of financial assets, and the level of reliance on historical experience in light of economic conditions. The Company will continually review and update, when necessary, its historical risk characteristics that are meaningful to estimating credit losses, any new risk characteristics that arise in the natural course of business, and the estimated life of its financial assets.

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

| | Balance at beginning of period | Adjustments resulting from acquisitions | Provision (benefit) for expected credit losses | Write offs, net of recoveries | Balance at end of period |
|-------------------------------|--------------------------------------|---|---|-------------------------------------|-----------------------------|
| Year Ended May 26, 2019 | \$ 302 | \$ 881 | \$ 421 | \$ (588) | \$ 1,016 |
| Year Ended May 31, 2020 | \$ 1,016 | \$ — | \$ (284) | \$ (294) | \$ 438 |
| Year Ended May 30, 2021 | \$ 438 | \$ — | \$ 418 | \$ (577) | \$ 279 |

Contract Assets and Liabilities

Contract assets primarily relate to the Company's conditional right to consideration for work completed but not billed at the reporting date. The Company's contract assets as of May 30, 2021, and May 31, 2020, were \$10.6 million and \$9.0 million, respectively.

Contract liabilities primarily relate to payments received from customers in advance of performance under the contract. The Company's contract liabilities as of May 30, 2021, and May 31, 2020, were \$0.9 million and \$0.0 million, respectively. No revenue was recognized during fiscal year 2021 that was included in the contract liability balance at the beginning of the fiscal 2021.

Revenue Recognition

The Company follows the five step, principles-based model to recognize revenue upon the transfer of promised goods or services to customers and in an amount that reflects the consideration for which the Company expects to be entitled in exchange for those goods or services. Revenue, net of estimated allowances and returns, is recognized when or as the Company satisfies its performance obligations under a contract and control of the product is transferred to the customer.

Curation Foods

Curation Foods' standard terms of sale are generally included in its contracts and purchase orders. Revenue is recognized at the time shipment is made or upon delivery as control of the product is transferred to the customer. Shipping and other transportation costs charged to customers are recorded in both revenue and cost of goods sold. Curation Foods has elected to account for shipping and handling as fulfillment activities, and not as a separate performance obligation. Curation Foods' standard payment terms with its customers generally range from 30 days to 90 days. Certain customers may receive cash-based incentives (including: volume rebates, discounts, and promotions), which are accounted for as variable consideration to Curation Foods' performance obligations. Curation Foods estimates these sales incentives based on the expected amount to be provided to its customers and reduces revenue recognized towards its performance obligations. The Company has not historically had and does not anticipate significant changes in its estimates for variable consideration.

Lifecore

Lifecore generates revenue from two integrated activities: CDMO and fermentation. CDMO is comprised of aseptic and development services. Lifecore's standard terms of sale are generally included in its contracts and purchase orders. Shipping and other transportation costs charged to customers are recorded in both revenue and cost of goods sold. Lifecore has elected to account for shipping and handling as fulfillment activities, and not as a separate performance obligation. Lifecore's standard payment terms with its customers generally range from 30 days to 60 days.

Aseptic

Lifecore provides aseptic formulation and filling of syringes and vials with precisely formulated medical grade HA and non-HA materials for injectable products used for medical purposes. In instances where our customers contract with us to aseptically fill syringes or vials with our HA, the goods are not distinct in the context of the contract. Lifecore recognizes revenue for these products at the point in time when legal title to the product is transferred to the customer, which is at the time that shipment is made or upon delivery of the product.

Development Services

Lifecore provides product development services to assist its customers in obtaining regulatory approval for the commercial sale of their drug product. These services include activities such as technology development, material component changes, analytical method development, formulation development, pilot studies, stability studies, process validation and production of materials for use within clinical studies. The Company's customers benefit from the expertise of its scientists who have extensive experience performing such tasks.

Each of the promised goods and services are not distinct in the context of the contract as the goods and services are highly interdependent and interrelated. The services described above are significantly affected by each other because Lifecore would not be able to fulfill its promise by transferring each of the goods or services independently.

Revenues generated from development services arrangements are recognized over time as Lifecore is creating an asset without an alternate use as it is unique to the customer. Furthermore, the Company has an enforceable right to payment for the performance completed to date for its costs incurred in satisfying the performance obligation plus a reasonable profit margin. For each of the development activities performed by Lifecore as described above, labor is the primary input (i.e., labor costs represent the majority of the costs incurred in the completion of the services). The Company determined that labor hours are the best measure of progress as it most accurately depicts the effort extended to satisfy the performance obligation over time.

Fermentation

Lifecore manufactures and sells pharmaceutical-grade sodium hyaluronate ("HA") in bulk form to its customers. The HA produced is distinct as customers are able to utilize the product provided under HA supply contracts when they obtain control. Lifecore recognizes revenue for these products at the point in time when legal title to the product is transferred to the customer, which is at the time that shipment is made or upon delivery of the product to our customer.

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

| | Year Ended | | |
|--|-------------------|-------------------|-------------------|
| | May 30, 2021 | May 31, 2020 | May 26, 2019 |
| Curation Foods: | | | |
| Fresh packaged salads and vegetables | \$ 380,205 | \$ 438,083 | \$ 453,182 |
| Avocado products | 63,575 | 62,194 | 27,322 |
| Technology | 2,294 | 4,256 | 1,182 |
| Total | <u>\$ 446,074</u> | <u>\$ 504,533</u> | <u>\$ 481,686</u> |

| | Year Ended | | |
|---|------------------|------------------|------------------|
| | May 30, 2021 | May 31, 2020 | May 26, 2019 |
| Lifecore: | | | |
| Contract development and manufacturing organization | \$ 75,297 | \$ 64,781 | \$ 54,439 |
| Fermentation | 22,790 | 21,052 | 21,434 |
| Total | <u>\$ 98,087</u> | <u>\$ 85,833</u> | <u>\$ 75,873</u> |

Shipping and Handling Costs

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

Cash and Cash Equivalents

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

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

The following table provides a reconciliation of cash, cash equivalents, and restricted 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 30, 2021 | May 31, 2020 | May 26, 2019 |
|---|-----------------|---------------|-----------------|
| Cash and cash equivalents | \$ 1,295 | \$ 360 | \$ 1,080 |
| Restricted cash | — | 193 | 385 |
| Cash, cash equivalents and restricted cash..... | <u>\$ 1,295</u> | <u>\$ 553</u> | <u>\$ 1,465</u> |

The Company was required to maintain restricted cash of \$0.0 million as of May 30, 2021, \$0.2 million as of May 31, 2020, and \$0.4 million as of May 26, 2019 related to certain collateral requirements for obligations under its workers' compensation programs. The restricted cash is included in Other assets in the Company's accompanying Consolidated Balance Sheets.

Inventories

Inventories are stated at the lower of cost (using the first-in, first-out method) or net realizable value. As of May 30, 2021 and May 31, 2020, inventories consisted of the following (in thousands):

| | Year Ended | |
|-------------------------|------------------|------------------|
| | May 30, 2021 | May 31, 2020 |
| Finished goods | \$ 39,493 | \$ 35,177 |
| Raw materials | 23,942 | 25,856 |
| Work in progress..... | 6,228 | 5,278 |
| Total inventories | <u>\$ 69,663</u> | <u>\$ 66,311</u> |

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

Advertising Expense

Advertising expenditures for the Company are expensed as incurred and included in selling, general, and administrative in the accompanying Consolidated Statements of Operations. Advertising expense for the Company for fiscal years 2021, 2020 and 2019 was \$0.9 million, \$1.8 million and \$1.3 million, respectively.

Related Party Transactions

The Company sold products to and earned license fees from Windset during the last three fiscal years. During fiscal years 2021, 2020 and 2019, the Company recognized revenues of \$0.5 million, \$0.6 million, and \$0.6 million, respectively, from the sale of products to and license fees from Windset. These amounts have been included in product sales in the accompanying Consolidated Statements of Operations. The related receivable balances of \$0.1 million and \$0.5 million from Windset are included in accounts receivable in the accompanying Consolidated Balance Sheets as of May 30, 2021 and May 31, 2020, respectively.

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

Property and Equipment and Finite-Lived Intangible Assets

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

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

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

The Company tests its indefinite-lived intangible assets for impairment at least annually. Application of the impairment tests for indefinite-lived intangible assets requires significant judgment by management, including identification of reporting units, assignment of assets and liabilities to reporting units, assignment of intangible assets to reporting units, which judgments are inherently uncertain.

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

Impairment Review of Goodwill and Indefinite-Lived Intangible Asset

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

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

With respect to goodwill, the Company has the option to first assess qualitative factors such as macro-economic conditions, industry and market environment, cost factors, overall financial performance of the Company, cash flow from operating activities, market capitalization, litigation, and stock price. If the result of a qualitative test indicates a potential for impairment of a reporting unit, a quantitative test is performed. The quantitative test compares the carrying amount of a reporting unit that includes goodwill to its fair value. The Company determines the fair value using both an income approach and a market approach.

To determine the fair value of a reporting unit as part of its quantitative test, the Company uses a discounted cash flow ("DCF") method under the income approach, as it believes that this approach is the most reliable indicator of the fair value of its businesses and the fair value of their future earnings and cash flows. Under this approach, which requires significant judgments, the Company estimates the future cash flows of each reporting unit and discounts these cash flows at a rate of return that reflects their relative risk and rate of return an outside investor could expect to earn. The cash flows used in the DCF method are consistent with those the Company uses in its internal planning, which gives consideration to actual business trends experienced, and the broader business strategy for the long term. The other key estimates and factors used in the DCF method include, but are not limited to, future volumes, net sales and expense growth rates, and gross margin and gross margin growth rates. Changes in such estimates or the application of alternative assumptions could produce different results. Under the market-based approach, information regarding the Company is utilized along with publicly available industry information to determine earnings multiples that are used to value the Company. A goodwill impairment loss is recognized for the amount that the carrying amount of a reporting unit, including goodwill, exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit.

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

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

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

Other than the goodwill write-offs discussed above, there were no other impairment losses for goodwill during fiscal years 2021, 2020 and 2019.

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 30, 2021 and May 31, 2020. 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. Subsequent to fiscal year end, on June 1, 2021, the Company sold all of its equity interest in Windset to the Newell Capital Corporation and Newell Brothers Investment 2 Corp., see Note 15 - Subsequent Events.

Business Interruption Insurance Recoveries

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

Deferred Revenue

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

Income Taxes

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

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

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

Per Share Information

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

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

| <i>(in thousands, except per share amounts)</i> | Year Ended | | |
|---|--------------|--------------|--------------|
| | May 30, 2021 | May 31, 2020 | May 26, 2019 |
| Numerator: | | | |
| Net (loss) income | \$ (32,665) | \$ (38,191) | \$ 411 |
| Denominator: | | | |
| Weighted average shares for basic net (loss) income per share | 29,294 | 29,162 | 28,359 |
| Effect of dilutive securities: | | | |
| Stock options and restricted stock units | — | — | 248 |
| Weighted average shares for diluted net (loss) income per share | 29,294 | 29,162 | 28,607 |
| Diluted net (loss) income per share | \$ (1.12) | \$ (1.31) | \$ 0.01 |

Due to the Company's net loss in fiscal years 2021 and 2020, the net loss per share for fiscal years 2021 and 2020 includes only the weighted average shares outstanding and thus excludes 0.3 million and 0.2 million of outstanding restricted stock unit awards ("RSUs"), respectively, as such impact would be antidilutive.

Options to purchase 1.7 million, 1.7 million, and 1.6 million shares of Common Stock at a weighted average exercise price of \$11.36, \$12.71, and \$13.74 per share during the fiscal years ended May 30, 2021, May 31, 2020 and May 26, 2019, respectively, were not included in the computation of diluted net (loss) income per share due to the net loss in fiscal years 2021 and 2020, or because the options' exercise price was greater than the average market price of the common stock and, therefore, their inclusion would be antidilutive.

Research and Development Expenses

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

Accounting for Stock-Based Compensation

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

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

Employee Savings and Investment Plans

The Company sponsors a 401(k) plan ("Landec Plan"), which is available to all full-time Landec employees and allows participants to contribute from 1% to 50% of their salaries, up to the Internal Revenue Service limitation into designated investment funds. The Company matches 100% on the first 3% and 50% on the next 2% contributed by an employee. Employee and Company contributions are fully vested at the time of the contributions. The Company retains the right, by action of the Board of Directors, to amend, modify, or terminate the plan. For fiscal years 2021, 2020 and 2019, the Company contributed \$2.1 million, \$2.2 million and \$1.8 million, respectively, to the Landec Plan.

Fair Value Measurements

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

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

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

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

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

As of May 30, 2021, the Company held certain assets and liabilities that were required to be measured at fair value on a recurring basis, including its interest rate swap, and its minority interest investment in Windset.

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

As of May 30, 2021, related to Curation Foods' distribution facility in Rock Hill, South Carolina we have \$0.5 million in prepaid expenses and other current assets within the Consolidated Balance Sheets meeting the criteria of assets held for sale. As of May 31, 2020, related to Curation Foods' salad dressing plant in Ontario, California we have \$2.6 million of property and equipment, net included in property and equipment, net within the Consolidated Balance Sheets meeting the criteria of assets held for sale. These assets are recognized at the lower of cost or fair value less cost to sell using market approach. The fair value of these assets are classified as level 3 in the fair value hierarchy due to mix of unobservable inputs utilized such as independent research in the market as well as actual quotes from market participants. See Note 4 and Note 14 for additional information.

The Company has elected the fair value option of accounting for its investment in Windset. The calculation of fair value utilizes significant unobservable inputs, including projected cash flows, growth rates, and discount rates. As a result, the Company's investment in Windset is considered to be a Level 3 measurement investment.

In determining the fair value of the Company's investment in Windset, the Company utilizes the following significant unobservable inputs in the discounted cash flow models:

| | May 30, 2021 Range (Weighted Average) | May 31, 2020 Range (Weighted Average) |
|----------------------------|--|--|
| Revenue growth rates | 7% (6.9)% | 6% to 7% (6.4)% |
| Expense growth rates | 0% to 8% (5.5)% | 6% to 8% (6.6)% |
| Discount rates | 10% | 12% |

The revenue growth and expense growth 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 30, 2021 |
|--|--|
| 10% increase in revenue growth rates..... | \$ 6,000 |
| 10% increase in expense growth rates | \$ (3,200) |
| 10% increase in discount rates | \$ (1,300) |

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 following table summarizes the fair value of the Company's assets and liabilities that are measured at fair value on a recurring and non-recurring basis (in thousands):

| | Fair Value at May 30, 2021 | | | Fair Value at May 31, 2020 | | |
|--|----------------------------|----------|-----------|----------------------------|----------|-----------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Assets: | | | | | | |
| Assets held for sale – nonrecurring..... | \$ — | \$ — | \$ 515 | \$ — | \$ — | \$ 2,607 |
| Investment in non-public company..... | — | — | 45,100 | — | — | 56,900 |
| Total assets..... | \$ — | \$ — | \$ 45,615 | \$ — | \$ — | \$ 59,507 |
| Liabilities: | | | | | | |
| Interest rate swap contracts..... | \$ — | \$ 1,736 | \$ — | \$ — | \$ 3,578 | \$ — |
| Total liabilities..... | \$ — | \$ 1,736 | \$ — | \$ — | \$ 3,578 | \$ — |

The following table reflects the fair value roll forward reconciliation of Level 3 assets and liabilities measured at fair value for the twelve months ended May 30, 2021 (in thousands):

| | Windset Investment |
|---------------------------------|--------------------|
| Balance as of May 31, 2020..... | \$ 56,900 |
| Fair value change..... | (11,800) |
| Balance as of May 30, 2021..... | \$ 45,100 |

Recent Accounting Pronouncements

Cloud Computing Arrangements

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract* ("ASU 2018-15"), which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in Accounting Standards Codification 350-40 to determine which implementation costs to defer and recognize as an asset. The Accounting Standards Update generally aligns the guidance on recognizing implementation costs incurred in a cloud computing arrangement that is a service contract with that for implementation costs incurred to develop or obtain internal-use software, including hosting arrangements that include an internal-use software license. ASU 2018-15 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application is permitted. The Company adopted ASU 2018-15 on June 1, 2020, and the adoption of this standard did not have an impact on the Company's consolidated financial statements.

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). The guidance eliminates, adds, and modifies certain disclosure requirements for fair value measurements. Entities will no longer have to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company adopted ASU 2018-13 on June 1, 2020, and the adoption of this standard did not have an impact on the Company's consolidated financial statements. As required by ASU 2018-13, the Company included additional disclosures in the Fair Value Measurement section related to the range and weighted average rates used to develop significant inputs for the Level 3 investment.

Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13" or "ASC 326"), which requires measurement and recognition of expected credit losses for financial assets held. Effective June 1, 2020, the Company adopted ASC 326 using the transition method introduced by ASU 2016-13. The adoption of ASC 326 did not have a material impact on our consolidated financial statements.

Under ASC 326, the Company changed its policy for assessing credit losses to include consideration of a broader range of information to estimate credit losses over the life of its financial assets. As of May 30, 2021 the financial assets of the Company

within the scope of the assessment comprised of trade accounts receivable, contract assets, and deposits. See the Accounts Receivable and Sales Returns and Allowance for Credit Losses section within Note 1 for further discussion of the Company's accounting for credit losses.

2. Acquisitions

Yucatan Foods Acquisition

On December 1, 2018 (the "Acquisition Date"), the Company acquired all of the voting interests and substantially all of the assets of Yucatan Foods, a manufacturer and seller of avocado-based food products. The total consideration paid to acquire Yucatan Foods was \$75.0 million, consisting of \$59.9 million in cash and 1,203,360 shares of common stock ("Stock Consideration") with a fair value of \$15.1 million. The fair value of the Stock Consideration is based on a per-share value of the Company's common stock on the Acquisition Date. Given that the holders are restricted from selling the Landec common stock, a discount for lack of marketability was applied to the Stock Consideration. The discount for lack of marketability was based on restricted stock studies, pre-IPO studies, and utilizing the Black-Scholes option pricing model to estimate a discount of 17.5% and 20.0% for the 3-year and 4-year lockup period, respectively.

Pursuant to the terms of the purchase agreement, all 1,203,360 shares issued as Stock Consideration will be held in an escrow account to secure the indemnification rights of Landec with respect to certain matters, including breaches of representations, warranties and covenants such as environmental and tax representations. The Stock Consideration is comprised of two tranches, with 3-year and 4-year lock-up provisions, respectively, such that 50% of the Stock Consideration will be released from lock-up on November 30, 2021, the 3-year anniversary of the Acquisition Date, and 50% of the Stock Consideration is released on November 30, 2022, the 4-year anniversary of the Acquisition Date.

Yucatan Foods, founded in 1991, with its headquarters in Los Angeles, California, produces and sells guacamole and other avocado products under its Yucatan and Cabo Fresh brands primarily in the U.S. and Canada. Yucatan Foods' production facility is located in Guanajuato, Mexico, very near where avocados are grown. Landec acquired Yucatan Foods to grow, strengthen, and stabilize its position in the natural foods market and to improve Curation Foods' margins over time.

Upon acquisition, Yucatan Foods became a wholly-owned subsidiary of Curation Foods. The Acquisition Date fair value of the consideration paid consisted of the following (in thousands):

| | | |
|--------------------------|----|---------------|
| Cash consideration..... | \$ | 59,898 |
| Stock consideration..... | | 15,068 |
| | \$ | <u>74,966</u> |

The excess of the purchase price over the aggregate fair value of identifiable net assets acquired was recorded as goodwill. These preliminary fair values of the assets acquired and the liabilities assumed were determined through established and generally accepted valuation techniques and were subject to change during the measurement period as valuations were finalized. During the fourth quarter of fiscal 2019, the Company recorded measurement period adjustments to deferred income taxes of \$1.7 million and indemnification provisions for environmental related items of \$0.7 million, resulting in an increase to goodwill of \$1.0 million. During the second quarter of fiscal 2020, the Company recorded measurement period adjustments to deferred income taxes of \$0.5 million, resulting in an increase to goodwill of \$0.5 million, and completed the acquisition accounting for the Yucatan Foods acquisition. These were non-cash adjustments. The following is a summary of the amounts recognized in accounting for the Yucatan Foods acquisition:

(In thousands)

| | |
|---|------------------|
| Cash and cash equivalents | \$ 26 |
| Accounts receivable, net | 6,310 |
| Inventories | 11,384 |
| Prepaid expenses and other current assets | 1,573 |
| Other assets | 102 |
| Property and equipment | 14,083 |
| Trademarks/tradenames | 15,900 |
| Customer relationships | 11,000 |
| Accounts payable | (4,507) |
| Other accrued liabilities | (1,873) |
| Deferred tax liabilities | (1,767) |
| Net identifiable assets acquired | 52,231 |
| Goodwill | 22,735 |
| Total fair value purchase consideration | <u>\$ 74,966</u> |

Finite-lived Intangible Assets

The Company identified one finite-lived intangible asset in connection with the Yucatan Foods acquisition: customer relationships valued at \$11.0 million which is included in customer relationships in the accompanying Consolidated Balance Sheets. Customer relationships have an estimated useful life of 12 years and will be amortized to operating expenses on an accelerated basis that reflects the pattern in which the economic benefits are consumed. The customer relationships are valued using the excess earnings method.

Goodwill and Indefinite-lived Intangible Assets

As a result of the Yucatan Foods acquisition, the Company recorded goodwill of \$22.2 million and trademarks valued at \$15.9 million, which are included within goodwill and trademarks in the accompanying Consolidated Balance Sheets, respectively. The goodwill recognized from the Yucatan Foods acquisition was primarily attributable to Yucatan Foods' long history and expected synergies from future growth and expansion of our Curation Foods business segment. Approximately 80% of the goodwill is expected to be deductible for income tax purposes. Trademarks are considered to be an indefinite lived asset and therefore, will not be amortized. The trademarks are valued using the relief from royalty valuation method. As discussed in Note 1, the Company recognized impairment charges of \$2.7 million and \$3.5 million in the Curation Foods business segment (in the Yucatan reporting unit) during the year ended May 31, 2020, related to goodwill and trademarks, respectively.

Acquisition Related Transaction Costs

For the year ended May 26, 2019, the Company recognized \$3.3 million of acquisition-related costs that were expensed as incurred and included in the Selling, general and administrative line item in the Consolidated Statements of Operations. These expenses included investment banking fees, legal, accounting and tax service fees and appraisals fees.

O Acquisition

On March 1, 2017, the Company purchased substantially all of the assets of *O* for \$2.5 million in cash plus contingent consideration of up to \$7.5 million over the next three years based upon *O* achieving certain EBITDA targets.

The potential earn out payment of up to \$7.5 million was based on *O*'s cumulative EBITDA over the Company's fiscal years 2018 through 2020. Based on this analysis, the Company recorded a contingent consideration liability, included in Other non-current liabilities. The earn out period expired in March 2020, with no payments made under the contractual provisions of the earn out arrangement.

As of May 30, 2021 and May 31, 2020, there was no contingent consideration liability. The reduction in the contingent consideration liability was \$0.5 million and \$3.5 million for fiscal years 2020 and 2019, respectively, and is recorded as a reduction to selling, general, and administrative expense in the accompanying Consolidated Statements of Operations. The \$3.5 million reduction during fiscal year 2019 was due to a very poor olive harvest in California during 2018 resulting in

substantially lower volumes of olive oil available for sale over the next twelve months. This, combined with a slower than anticipated apple cider vinegar sales reduced the current projected EBITDA through fiscal year 2020.

3. Investment in Non-public Company

Windset

On February 15, 2011, Curation Foods entered into a share purchase agreement (the “Windset Purchase Agreement”) with Windset. Pursuant to the Windset Purchase Agreement, Curation Foods purchased from Windset 150,000 Senior A preferred shares for \$15.0 million and 201 common shares for \$201. On July 15, 2014, Curation Foods increased its investment in Windset by purchasing from the Newell Capital Corporation an additional 68 common shares and 51,211 junior preferred shares of Windset for \$11.0 million. After this purchase, the Company’s common shares represented a 26.9% ownership interest in Windset. The Senior A preferred shares yielded a cash dividend of 7.5% annually. The dividend was payable within 90 days of each anniversary of the execution of the Windset Purchase Agreement. The non-voting junior preferred stock did not yield a dividend unless declared by the Board of Directors of Windset and no such dividend has been declared.

The Shareholders’ Agreement between Curation Foods and Windset, as amended on March 15, 2017, included a put and call option (the “Put and Call Option”), which was exercisable on or after March 31, 2022, whereby Curation Foods could exercise the put to sell its common, Senior A preferred shares, and junior preferred shares to Windset, or Windset could exercise the call to purchase those shares from Curation Foods, in either case, at a price equal to 26.9% of the fair market value of Windset’s common shares, plus the liquidation value of the preferred shares of \$20.1 million (\$15.0 million for the Senior A preferred shares and \$5.1 million for the junior preferred shares). Under the terms of the arrangement with Windset, the Company was entitled to designate one of five members on the Board of Directors of Windset.

On October 29, 2014, Curation Foods further increased its investment in Windset by purchasing 70,000 shares of Senior B preferred shares for \$7.0 million. The Senior B preferred shares paid an annual dividend of 7.5% on the amount outstanding at each anniversary date of the Windset Purchase Agreement. The Senior B preferred shares purchased by Curation Foods had a put feature whereby Curation Foods could sell back to Windset the Senior B preferred shares for \$7.0 million at any time after October 29, 2017.

During the fourth quarter of fiscal year 2019, the Company exercised its put feature and sold the 70,000 shares of Senior B preferred shares back to Windset for \$7.0 million.

The investment in Windset does not qualify for equity method accounting as the investment does not meet the criteria of in-substance common stock due to returns through the annual dividend on the non-voting senior preferred shares that were not available to the common stock holders. As the put and call options required all of the various shares to be put or called in equal proportions, the Company has deemed that the investment, in substance, should be treated as a single security for purposes of accounting.

The fair value of the Company’s investment in Windset was determined utilizing the Windset Purchase Agreement’s put/call calculation for value and a discounted cash flow model based on projections developed by Windset that were reviewed by Landec, and considers the put and call conversion options. These features impact the duration of the cash flows utilized to derive the estimated fair values of the investment. These two discounted cash flow models' estimate for fair value are then weighted. Assumptions included in these discounted cash flow models are evaluated quarterly based on Windset’s actual and projected operating results to determine the change in fair value.

The Company recorded \$1.1 million in dividend income for the fiscal years ended May 30, 2021 and May 31, 2020, respectively, and \$1.7 million for the fiscal year ended May 26, 2019. The decrease in the fair market value of the Company’s investment in Windset for the fiscal years ended May 30, 2021 and May 31, 2020 was \$11.8 million and \$4.2 million, respectively, and is included in Other income (expense) in the accompanying Consolidated Statements of Operations. The increase in the fair market value of the Company’s investment in Windset for the fiscal year ended May 26, 2019 was \$1.6 million and is included in Other income (expense) in the accompanying Consolidated Statements of Operations.

Subsequent to fiscal year end, on June 1, 2021, the Company and Curation Foods entered into and closed a Share Purchase Agreement (the “Purchase Agreement”) with Newell Capital Corporation and Newell Brothers Investment 2 Corp., as Purchasers (the “Purchasers”) and Windset, pursuant to which Curation Foods sold all of its equity interests of Windset to the Purchasers in exchange for an aggregate purchase price of \$45.1 million. See Note 15 - Subsequent Events.

4. Property and Equipment

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

| | Years of Useful Life | Year Ended | |
|---|-------------------------|--------------|--------------|
| | | May 30, 2021 | May 31, 2020 |
| Land..... | | \$ 15,027 | \$ 13,212 |
| Buildings..... | 15 - 40 | 79,927 | 89,492 |
| Leasehold improvements | 3 - 20 | 6,879 | 6,834 |
| Computers, capitalized software, machinery, equipment and autos | 3 - 20 | 141,528 | 146,659 |
| Furniture and fixtures | 3 - 7 | 2,914 | 2,603 |
| Construction in process..... | | 35,882 | 28,454 |
| Gross property and equipment | | 282,157 | 287,254 |
| Less accumulated depreciation and amortization | | (102,598) | (94,916) |
| Property and equipment, net | | \$ 179,559 | \$ 192,338 |

Depreciation and amortization expense for property and equipment for the fiscal years ended May 30, 2021, May 31, 2020 and May 26, 2019 was \$16.0 million, \$16.3 million and \$13.1 million, respectively. Amortization related to finance leases, which is included in depreciation expense, was \$0.1 million for each of the fiscal years ended May 30, 2021, May 31, 2020 and May 26, 2019, respectively.

During fiscal years 2021, 2020 and 2019, the Company capitalized \$1.0 million, \$3.1 million, and \$1.0 million in software development costs, respectively. Amortization related to capitalized software was \$1.1 million, \$0.8 million, and \$0.9 million for fiscal years ended May 30, 2021, May 31, 2020 and May 26, 2019, respectively. The unamortized computer software costs as of May 30, 2021 and May 31, 2020 were \$4.7 million and \$5.0 million, respectively. Capitalized interest was \$0.5 million, \$1.2 million, and \$0.7 million for fiscal years ended May 30, 2021, May 31, 2020 and May 26, 2019, respectively. As disclosed in Note 1, an impairment of property and equipment related to the *O* reporting unit of \$1.3 million was recorded in Selling, general and administrative in the accompanying Consolidated Statements of Operations for the year ended May 31, 2020.

Assets Held for Sale

In June 2019, the Company designated the Santa Maria office as the Curation Foods headquarters, and decided to close and put up for sale the Curation Foods office in San Rafael, California. During the fiscal year ended May 31, 2020, the Company closed escrow on the San Rafael property and recognized a \$0.4 million impairment loss, which is included in restructuring costs within the Consolidated Statements of Operations. The Company received net cash proceeds of \$2.4 million in connection with the sale.

In January 2020, the Company decided to seek to divest its Curation Foods salad dressing plant in Ontario, California. During the fiscal year ended May 31, 2020, the Company (1) designated the fixed assets of its office and manufacturing space located in Ontario, California, as assets held for sale, and (2) recognized a \$10.9 million impairment loss, which is included in restructuring costs within the Consolidated Statements of Operations for the Curation Foods segment. The remaining net carrying value of \$2.6 million is included in property and equipment, net within the Consolidated Balance Sheets as of May 31, 2020. Liabilities of \$0.3 million and \$2.9 million related to these assets are included in Current portion of lease liabilities and Long-term lease liabilities, respectively, within the Consolidated Balance Sheet as of May 31, 2020. In the first quarter of fiscal year 2021, the Company sold its interest in Ontario. The Company received net cash proceeds of \$4.9 million in connection with the sale and recorded a gain of \$2.8 million during the fiscal year ended May 30, 2021, which is included in restructuring costs within the Consolidated Statements of Operations.

On June 25, 2020 the Board of Directors approved a plan to close Curation Foods' underutilized manufacturing operations in Hanover, Pennsylvania ("Hanover"), sell the building and assets related thereto, and consolidate its operations into its manufacturing facilities in Guadalupe, California and Bowling Green, Ohio. The \$17.2 million carrying value of these assets was included in property and equipment, net on the consolidated Balance Sheets as of May 31, 2020, and was not classified as assets held for sale as the plan to sell was not finalized until subsequent to fiscal year end 2020. In the first quarter of fiscal year 2021, the Company recognized an \$8.8 million impairment loss, which is included in Restructuring costs within the Consolidated Statements of Operations. During the second quarter of fiscal year 2021, the Company sold the Hanover building and assets related thereto for net proceeds of \$8.0 million, no gain or loss was recorded upon sale.

In May 2021 the Board of Directors approved a plan to sell Curation Foods' Rock Hill, South Carolina distribution facility. The \$0.5 million carrying value of this asset is included in prepaid expenses and other current assets on the Consolidated Balance Sheets as of May 30, 2021, and was classified as an asset held for sale. There was no impairment recorded in fiscal year 2021. The asset was sold subsequent to fiscal year end on June 9, 2021 for gross proceeds of \$1.1 million.

5. Goodwill and Intangible Assets

Goodwill

The following table presents the changes in goodwill during fiscal 2021 and fiscal 2020 (in thousands):

| | 2021 | 2020 |
|---|------------------|------------------|
| Balance at beginning of year | \$ 69,386 | \$ 76,742 |
| Yucatan Foods measurement period adjustment | — | 504 |
| Impairment | — | (7,860) |
| Balance at end of year | <u>\$ 69,386</u> | <u>\$ 69,386</u> |

We have determined that the Eat Smart, Yucatan Foods, *O*, and Lifecore are the appropriate reporting units for testing goodwill for impairment. As disclosed in Note 1, an impairment charge of \$5.2 million and \$2.7 million in *O* and Yucatan Foods reporting units, respectively, was recorded during the year ended May 31, 2020. As of May 30, 2021, the Eat Smart, Yucatan, and Lifecore reporting unit had \$35.5 million, \$20.0 million, and \$13.9 million of goodwill, respectively.

Intangible Assets

As of May 30, 2021 and May 31, 2020, the Company's intangible assets consisted of the following (in thousands):

| | Amortization Period (years) | May 30, 2021 | | May 31, 2020 | |
|--------------------------------------|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Customer relationships | | | | | |
| Eat Smart (Curation Foods) | 13 | \$ 7,500 | \$ 5,240 | \$ 7,500 | \$ 4,663 |
| Yucatan Foods (Curation Foods) | 12 | 11,000 | 2,750 | 11,000 | 1,650 |
| Lifecore | 12 | 3,700 | 3,418 | 3,700 | 3,110 |
| Total customer relationships | | <u>\$ 22,200</u> | <u>\$ 11,408</u> | <u>\$ 22,200</u> | <u>\$ 9,423</u> |
| Trademarks/tradenames | | | | | |
| Eat Smart (Curation Foods) | | \$ 9,100 | \$ 872 | \$ 9,100 | \$ 872 |
| <i>O</i> (Curation Foods) | | 500 | — | 500 | — |
| Yucatan Foods (Curation Foods) | | 12,400 | — | 12,400 | — |
| Lifecore | | 4,200 | — | 4,200 | — |
| Total trademarks/tradenames | | <u>\$ 26,200</u> | <u>\$ 872</u> | <u>\$ 26,200</u> | <u>\$ 872</u> |
| Total intangible assets | | <u>\$ 48,400</u> | <u>12,280</u> | <u>\$ 48,400</u> | <u>\$ 10,295</u> |

Amortization expense related to finite-lived intangible assets was \$2.0 million, \$2.0 million, and \$1.5 million in fiscal 2021, 2020 and 2019, respectively.

The amortization expense for each year presented are as follows (in thousands):

| | | |
|-----------------------|----|--------------|
| Fiscal year 2022..... | \$ | 1,959 |
| Fiscal year 2023..... | | 1,677 |
| Fiscal year 2024..... | | 1,677 |
| Fiscal year 2025..... | | 1,629 |
| Fiscal year 2026..... | | 1,100 |
| Total..... | \$ | <u>8,042</u> |

As discussed in Note 1, the Company recognized an impairment of the customer relationships in the Curation Foods business segment (in the *O* reporting unit) of \$0.5 million during the year ended May 31, 2020. In addition, the Company recognized an impairment of the trademarks in the Curation Foods business segment for *O* and Yucatan Foods of \$1.1 million and \$3.5 million, respectively during the year ended May 31, 2020.

6. Stock-based Compensation and Stockholders' Equity

Common Stock and Stock Option Plans

On October 16, 2019, following stockholder approval at the Annual Meeting of Stockholders of the Company, the 2019 Stock Incentive Plan (the "Plan") became effective and replaced the Company's 2013 Stock Incentive Plan (the "2013 Plan"). Employees (including officers), consultants and directors of the Company and its subsidiaries and affiliates are eligible to participate in the Plan.

The Plan provides for the grant of stock options (both nonstatutory and incentive stock options), stock grants, stock units and stock appreciation rights. Awards under the Plan will be evidenced by an agreement with the Plan participants and 2.0 million shares of the Company's Common Stock ("Shares") were initially available for award under the Plan. Under the Plan, no recipient may receive awards during any fiscal year that exceeds the following amounts: (i) stock options covering in excess of 500,000 Shares in the aggregate; (ii) stock grants and stock units covering in excess of 250,000 Shares in the aggregate; or (iii) stock appreciation rights covering more than 500,000 Shares in the aggregate. In addition, awards to non-employee directors are discretionary. However, a non-employee director may not be granted awards in excess of an aggregate fair market value of \$120,000 during any fiscal year. The exercise price of the options is the fair market value of the Company's Common Stock on the date the options are granted. As of May 30, 2021, 1,299,808 options to purchase shares and restricted stock units ("RSUs") were outstanding.

On October 10, 2013, following stockholder approval at the Annual Meeting of Stockholders of the Company, the 2013 Plan became effective and replaced the Company's 2009 Stock Incentive Plan. Employees (including officers), consultants and directors of the Company and its subsidiaries and affiliates were eligible to participate in the 2013 Plan. The 2013 Plan provided for the grant of stock options (both nonstatutory and incentive stock options), stock grants, stock units and stock appreciation rights. Under the 2013 Plan, 2.0 million shares were initially available for awards and as of May 30, 2021, 1,014,605 options to purchase shares and RSUs were outstanding.

On October 15, 2009, following stockholder approval at the Annual Meeting of Stockholders of the Company, the 2009 Stock Incentive Plan (the "2009 Plan") became effective and replaced the Company's 2005 Stock Incentive Plan. Employees (including officers), consultants and directors of the Company and its subsidiaries and affiliates were eligible to participate in the 2009 Plan. The 2009 Plan provided for the grant of stock options (both nonstatutory and incentive stock options), stock grants, stock units and stock appreciation rights. Under the 2009 Plan, 1.9 million shares were initially available for awards. On October 19, 2017, 1.0 million shares were added to the 2013 Plan following stockholder approval at the 2017 Annual Meeting of Stockholders. As of May 30, 2021, there were options to purchase shares or RSUs outstanding under the 2009 Plan.

At May 30, 2021, the Company had 4.2 million common shares reserved for future issuance under Landec stock incentive plans.

Convertible Preferred Stock

The Company has authorized 2.0 million shares of preferred stock, and as of May 30, 2021 has no outstanding preferred stock.

Grant Date Fair Value

The Company uses the Black-Scholes option pricing model to calculate the grant date fair value of stock option awards. The use of an option pricing model requires the Company to make estimates and assumptions, including the expected stock price volatility, expected life of option awards, risk-free interest rate, and expected dividend yield which have a significant impact on the fair value estimates. As of May 30, 2021, May 31, 2020 and May 26, 2019, the fair value of stock option grants was estimated using the following weighted average assumptions:

| | Year Ended | | |
|--|--------------|--------------|--------------|
| | May 30, 2021 | May 31, 2020 | May 26, 2019 |
| Weighted-average grant date fair value | \$2.37 | \$2.55 | \$2.80 |
| Assumptions: | | | |
| Expected life (in years) | 3.36 | 3.50 | 3.50 |
| Risk-free interest rate | 0.23 % | 1.01 % | 2.47 % |
| Volatility | 33 % | 31 % | 27 % |
| Dividend yield | — % | — % | — % |

Stock-Based Compensation Activity

A summary of the activity under the Company's stock option plans as of May 30, 2021 and changes during the fiscal year then ended is presented below:

| | Options Outstanding | Weighted- Average Exercise Price Per Share | Total Intrinsic Value of Options Exercised | Weighted- Average Remaining Contractual Term in Years | Aggregate Intrinsic Value |
|---|------------------------|--|--|--|---------------------------------|
| Options outstanding at May 27, 2018 | 1,955,335 | \$ 13.20 | | | |
| Options granted | 368,264 | \$ 11.85 | | | |
| Options exercised | (116,834) | \$ 11.82 | \$ 265,911 | | |
| Options forfeited..... | (71,669) | \$ 13.75 | | | |
| Options expired | (135,000) | \$ 14.18 | | | |
| Options outstanding at May 26, 2019 | 2,000,096 | \$ 12.94 | | | |
| Options granted | 435,000 | \$ 10.42 | | | |
| Options exercised | (163,333) | \$ 11.16 | \$ 169,066 | | |
| Options forfeited..... | (55,806) | \$ 13.08 | | | |
| Options expired | (499,599) | \$ 14.04 | | | |
| Options outstanding at May 31, 2020 | 1,716,358 | \$ 12.15 | | | |
| Options granted | 682,600 | \$ 9.66 | | | |
| Options exercised | — | \$ — | | | |
| Options forfeited..... | (127,714) | \$ 9.93 | | | |
| Options expired | (437,227) | \$ 13.42 | | | |
| Options outstanding at May 30, 2021 | 1,834,017 | \$ 11.07 | | 4.18 | \$ 2,446,243 |
| Options exercisable at May 30, 2021 | 1,011,265 | \$ 12.02 | | 2.67 | \$ 747,977 |

A summary of the Company's restricted stock unit award activity as of May 30, 2021 and changes during the fiscal year then ended is presented below:

| | Restricted Stock Units Outstanding | Weighted- Average Grant Date Fair Value Per Share |
|---|--|--|
| Restricted stock units/awards outstanding at May 27, 2018 | 408,037 | \$ 12.99 |
| Granted..... | 333,486 | \$ 13.15 |
| Vested..... | (237,946) | \$ 13.27 |
| Forfeited..... | (75,150) | \$ 13.92 |
| Restricted stock units/awards outstanding at May 26, 2019 | 428,427 | \$ 12.80 |
| Granted..... | 296,527 | \$ 9.79 |
| Vested..... | (124,045) | \$ 11.82 |
| Forfeited..... | (131,361) | \$ 12.49 |
| Restricted stock units/awards outstanding at May 31, 2020 | 469,548 | \$ 11.24 |
| Granted..... | 188,225 | \$ 10.13 |
| Vested..... | (146,197) | \$ 11.69 |
| Forfeited..... | (31,180) | \$ 10.60 |
| Restricted stock units/awards outstanding at May 30, 2021 | <u>480,396</u> | \$ 10.71 |

Stock-Based Compensation Expense

The following table summarizes the stock-based compensation by statement of operations line item:

| <i>(in thousands)</i> | Year Ended | | |
|--|-----------------|-----------------|-----------------|
| | May 30, 2021 | May 31, 2020 | May 26, 2019 |
| Cost of sales..... | \$ 403 | \$ 162 | \$ 449 |
| Research and development | 223 | 158 | 114 |
| Selling, general and administrative..... | 2,734 | 2,099 | 2,997 |
| Total stock-based compensation | <u>\$ 3,360</u> | <u>\$ 2,419</u> | <u>\$ 3,560</u> |

As of May 30, 2021, there was \$3.0 million of total unrecognized compensation expense related to unvested equity compensation awards granted under the Landec stock incentive plans. Total expense is expected to be recognized over the weighted-average period of 2.03 years for stock options and 1.71 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 2021, 2020 and 2019, the Company did not purchase any shares on the open market.

7. Debt

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

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

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

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

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

On December 31, 2020, the Company refinanced its existing Term Loan and Revolver by entering into two separate Credit Agreements (the "New Credit Agreements") with BMO and Goldman Sachs Specialty Lending Group, L.P. ("Goldman") and Guggenheim Credit Services, LLC ("Guggenheim"), as lenders (collectively, the "Refinance Lenders"). Pursuant to the credit agreement related to the revolving credit facility, BMO has provided the Company, Curation Foods and Lifecore, as co-borrowers, with an up to \$75.0 million revolving line of credit (the "Refinance Revolver") and serves as administrative agent of the Refinance Revolver. Pursuant to the credit agreement related to the term loan, Goldman and Guggenheim have provided the Company, Curation Foods and Lifecore, as co-borrowers, with an up to \$170.0 million term loan facility (split equally between Goldman and Guggenheim) (the "Refinance Term Loan") and Goldman serves as administrative agent of the Refinance Term Loan. The Refinance Revolver and Refinance Term Loan are guaranteed, and secured by, substantially all of the Company's and the Company's direct and indirect subsidiaries' assets.

The Refinance Term Loan matures on December 31, 2025. The Refinance Revolver matures on December 31, 2025 or, if the Refinance Term Loan remains outstanding on such date, ninety (90) days prior to the maturity date of the Refinance Term Loan (on October 2, 2025).

The Refinance Term Loan provides for principal payments by the Company of 5% per annum, payable quarterly in arrears in equal installments, commencing on March 30, 2023, with the remainder due at maturity.

Interest on the Refinance Revolver is based upon the Company's average availability, at a per annum rate of either (i) LIBOR rate plus a spread of between 2.00% and 2.50% or (ii) base rate plus a spread of between 1.00% and 1.50%, plus a commitment fee, as applicable, of 0.375%. Interest on the Refinance Term Loan is at a per annum rate based on either (i) the base rate plus a spread of 7.50% or (ii) the LIBOR rate plus a spread of 8.50%. The Refinance Term Loan Credit Agreement also states that in the event of a prepayment of any amount other than the scheduled installments within twelve months after the closing date, a penalty will be assessed equal to the aggregate amount of interest that would have otherwise been payable from date of prepayment event until twelve months after the closing date plus 3% of the amount prepaid.

The New Credit Agreements provide the Company the right to increase the revolver commitments under the Refinance Revolver, subject to the satisfaction of certain conditions (including consent from BMO), by obtaining additional commitments from either BMO or another lending institution at an amount of up to \$15.0 million.

The New Credit Agreements contain customary financial covenants and events of default under which the obligations thereunder could be accelerated and/or the interest rate increased in specified circumstances.

In connection with the New Credit Agreements, the Company incurred debt issuance costs from the lender and third-parties of \$10.2 million.

Concurrent with the close of the New Credit Agreements, the Company repaid all outstanding borrowings under the current Credit Agreement, and terminated the Credit Agreement. In connection with the repayment of borrowings under the Credit Agreement, the Company recognized a loss in fiscal year 2021 of \$1.1 million, as a result of the non-cash write-off of unamortized debt issuance costs related to the refinancing under the New Credit Agreements.

As of May 30, 2021, \$29.0 million was outstanding on the Refinance Revolver, at an interest rate of 3.00%. As of May 30, 2021, the Refinance Term Loan had an interest rate of 9.5%. As of May 30, 2021, the Company was in compliance with all financial covenants and had no events of default under the New Credit Agreements.

Long-term debt consists of the following as of May 30, 2021 and May 31, 2020 (in thousands):

| | May 30, 2021 | May 31, 2020 |
|---|-------------------|-------------------|
| Term loan..... | \$ 170,000 | \$ 114,000 |
| Total principal amount of long-term debt..... | 170,000 | 114,000 |
| Less: unamortized debt issuance costs..... | (5,098) | (1,083) |
| Total long-term debt, net of unamortized debt issuance costs..... | 164,902 | 112,917 |
| Less: current portion of long-term debt, net..... | — | (11,554) |
| Long-term debt, net..... | <u>\$ 164,902</u> | <u>\$ 101,363</u> |

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

| | Term Loan |
|-----------------------|-------------------|
| Fiscal year 2022..... | \$ — |
| Fiscal year 2023..... | 2,125 |
| Fiscal year 2024..... | 8,469 |
| Fiscal year 2025..... | 8,422 |
| Fiscal year 2026..... | 150,984 |
| Total..... | <u>\$ 170,000</u> |

Derivative Instruments

On November 1, 2016, the Company entered into an interest rate swap contract (the "2016 Swap") with BMO at a notional amount of \$50.0 million. The 2016 Swap had the effect of changing the Company's previous Term Loan obligation from a variable interest rate to a fixed 30-day LIBOR rate of 1.22%.

On June 25, 2018, the Company entered into an interest rate swap contract (the "2018 Swap") with BMO at a notional amount of \$30.0 million. The 2018 Swap had the effect on our previous debt of converting the first \$30.0 million of the total outstanding amount of the Company's 30-day LIBOR borrowings from a variable interest rate to a fixed 30-day LIBOR rate of 2.74%.

On December 2, 2019, the Company entered into an interest rate swap contract (the "2019 Swap") with BMO at a notional amount of \$110.0 million which decreases quarterly. The 2019 Swap had the effect on our previous debt of converting primarily all of the \$110.0 million of the total outstanding amount of the Company's 30-day LIBOR borrowings from a variable interest rate to a fixed 30-day LIBOR rate of 1.53%.

8. Income Taxes

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

| <i>(in thousands)</i> | Year Ended | | |
|------------------------------------|--------------|--------------|--------------|
| | May 30, 2021 | May 31, 2020 | May 26, 2019 |
| Current: | | | |
| Federal..... | \$ (38) | \$ (7,836) | \$ (67) |
| State..... | 74 | 38 | 63 |
| Foreign..... | 56 | 56 | 83 |
| Total..... | 92 | (7,742) | 79 |
| Deferred: | | | |
| Federal..... | (7,433) | (5,212) | 1,581 |
| State..... | (460) | (162) | (142) |
| Total..... | (7,893) | (5,374) | 1,439 |
| Income tax (benefit) expense | \$ (7,801) | \$ (13,116) | \$ 1,518 |

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

| <i>(in thousands)</i> | Year Ended | | |
|--|--------------|--------------|--------------|
| | May 30, 2021 | May 31, 2020 | May 26, 2019 |
| Tax at U.S. statutory rate (1)..... | \$ (8,498) | \$ (10,774) | \$ 764 |
| State income taxes, net of federal benefit | (1,136) | (1,782) | 46 |
| Tax reform/CARES Act..... | — | (2,770) | — |
| Change in valuation allowance | 3,690 | 2,654 | 929 |
| Tax credit carryforwards..... | (606) | (613) | (771) |
| Other compensation-related activity | 249 | 334 | 618 |
| Impairment of goodwill | — | 647 | — |
| Foreign rate differential | (1,414) | (863) | — |
| Other | (86) | 51 | (68) |
| Income tax (benefit) expense | \$ (7,801) | \$ (13,116) | \$ 1,518 |

(1) Statutory rate was 21.0% for fiscal year 2021, 2020 and 2019.

The effective tax rate for fiscal year 2021 changed from a tax provision benefit of 25.56% to a tax provision benefit of 19.29% in comparison to fiscal year 2020. The decrease in the income tax benefit for fiscal year 2021 was primarily due to significant decrease in the Company's loss before tax, and the increase in change in valuation allowance which offsets federal and state research and development credits, and \$2.8 million of NOL carryback benefit applied only for fiscal year 2020.

The effective tax rate for fiscal year 2020 changed from a tax provision expense of 70.66% to tax provision benefit of 25.56% in comparison to fiscal year 2019. The decrease in the income tax expense for fiscal year 2020 was primarily due to a decrease in the Company's profit before tax, carryback of net operating losses, and the benefit of federal and state research and development credits which is offset by the change in valuation allowance, and impairment of goodwill.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act includes, among other items, provisions relating to refundable payroll tax credits, deferment of the employer portion of certain payroll taxes, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property.

The CARES Act allows losses incurred in tax years 2018, 2019, and 2020 to be carried back to each of the five preceding tax years and to offset 100% of regular taxable income. Additionally, the CARES Act accelerates the Company's ability to receive refunds of alternative minimum tax credits generated in prior tax years. In fiscal year 2020, the Company was able to benefit net operating losses generated in fiscal year 2019 and fiscal year 2020 at the 21% federal statutory rate in effect for those years and carried back to tax years with a 35% federal statutory rate thus recognizing a tax provision benefit of \$2.8 million during the year ended May 31, 2020.

Significant components of deferred tax assets and liabilities reported in the accompanying Consolidated Balance Sheets consisted of the following:

| <i>(in thousands)</i> | Year Ended | |
|--|--------------|--------------|
| | May 30, 2021 | May 31, 2020 |
| Deferred tax assets: | | |
| Accruals and reserves..... | \$ 3,366 | \$ 4,651 |
| Net operating loss carryforwards | 21,916 | 14,947 |
| Stock-based compensation | 1,123 | 904 |
| Research and AMT credit carryforwards | 5,150 | 4,491 |
| Lease liability | 5,902 | 6,731 |
| Limitations on business interest expense | 2,411 | 2,081 |
| Other | 927 | 426 |
| Gross deferred tax assets..... | 40,795 | 34,231 |
| Valuation allowance..... | (10,460) | (6,770) |
| Net deferred tax assets | 30,335 | 27,461 |
| Deferred tax liabilities: | | |
| Depreciation and amortization | (16,600) | (19,049) |
| Goodwill and other indefinite life intangibles..... | (13,406) | (12,204) |
| Basis difference in investment in non-public company | (1,382) | (3,439) |
| Right of use asset | (5,087) | (6,357) |
| Deferred tax liabilities | (36,475) | (41,049) |
| Net deferred tax liabilities..... | \$ (6,140) | \$ (13,588) |

The effective tax rates for fiscal year 2021 differ from the blended statutory federal income tax rate of 21% as a result of several factors, including a significant decrease in the Company's loss before tax, the change in valuation allowance related to federal, state and foreign deferred balances, foreign rate differential, change in ending state deferred blended rate, fixed assets, and the benefit of federal and state research and development credits.

The effective tax rates for fiscal year 2020 differ from the blended statutory federal income tax rate of 21% as a result of several factors, including a decrease in the Company's profit before tax, carryback of net operating losses, the change in valuation allowance related with state and foreign deferred balances, foreign rate differential, change in ending state deferred blended rate, impairment of goodwill and fixed assets, and the benefit of federal and state research and development credits. The effective tax rates for fiscal year 2019 differ from the statutory federal blended income tax rate of 21% as a result of several factors, including Yucatan acquisition, the change in valuation allowance related with foreign deferred balances, foreign rate differential, change in ending state deferred blended rate, limitation of deductibility of executive compensation, and the benefit of federal and state research and development credits.

As of May 30, 2021, the Company had federal, foreign, California, Indiana, and other state net operating loss carryforwards of approximately \$68.1 million, \$14.8 million, \$24.2 million, \$10.4 million, and \$16.7 million respectively. These losses expire in different periods through 2042, 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 is net of any such limitation.

The Company has federal, California, and Minnesota research and development tax credit carryforwards of approximately \$2.6 million, \$2.0 million, and \$1.2 million, respectively. The research and development tax credit carryforwards have an unlimited carryforward period for California purposes, 20 year carryforward for federal purposes, and 15 year carryforward for Minnesota purposes.

Valuation allowances are reviewed each period on a tax jurisdiction by jurisdiction basis to analyze whether there is sufficient positive or negative evidence to support a change in judgment about the realizability of the related deferred tax assets. Based on this analysis and considering all positive and negative evidence, we determined that a valuation allowance of \$1.4 million, \$4.2 million, and \$4.9 million should be recorded as a result of uncertainty around the utilization of federal, state, and foreign net operating losses, and federal capital loss carryforward.

The accounting for uncertainty in income taxes recognized in an enterprise’s financial statements prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and the derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in thousands)

| | Year Ended | | |
|---|---------------|---------------|---------------|
| | May 30, 2021 | May 31, 2020 | May 26, 2019 |
| Unrecognized tax benefits – beginning of the period | \$ 827 | \$ 616 | \$ 479 |
| Gross increases – tax positions in prior period | — | 101 | 29 |
| Gross decreases – tax positions in prior period..... | — | (11) | — |
| Gross increases – current-period tax positions | 115 | 121 | 133 |
| Lapse of statute of limitations..... | — | — | (25) |
| Unrecognized tax benefits – end of the period | <u>\$ 942</u> | <u>\$ 827</u> | <u>\$ 616</u> |

As of May 30, 2021 the total amount of net unrecognized tax benefits is \$0.9 million, of which, \$0.8 million, if recognized, would affect 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 30, 2021. The Company does not expect its unrecognized tax benefits to decrease within the next twelve months.

Due to tax attribute carryforwards, the Company is subject to examination for tax years 2013 forward for U.S. tax purposes. The Company was also subject to examination in various state jurisdictions for tax years 2012 forward, none of which were individually material.

9. Leases

Operating Leases

The Company has entered into various non-cancellable operating lease agreements for manufacturing and distribution facilities, vehicles, equipment and office space. Right-of-use assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. Landec leases land, facilities, and equipment under operating lease agreements with various terms and conditions, which expire at various dates through fiscal year 2040. Certain of these leases have renewal options.

Finance Leases

On September 3, 2015, Lifecore leased an 80,950 square foot building in Chaska, MN, two miles from its current facility. The initial term of the lease is seven years with two five-year renewal options. The lease contains a buyout option at any time after year seven with the purchase price equal to the mortgage balance on the lessor’s loan secured by the building. Gross assets recorded under finance leases, included in property and equipment, net, were \$3.8 million as of both May 30, 2021 and May 31, 2020. Accumulated amortization associated with finance leases was \$0.6 million and \$0.5 million as of May 30, 2021 and May 31, 2020, respectively. The monthly lease payment was initially \$34,000 and increases by 2.4% per year. Lifecore and

the lessor made capital improvements prior to occupancy and thus the lease did not become effective until January 1, 2016. Lifecore is currently using the building for warehousing and final packaging.

The components of lease cost were as follows:

| <i>(In thousands, except term and discount rate)</i> | Year Ended May 30, 2021 | Year Ended May 31, 2020 |
|--|----------------------------|----------------------------|
| Finance lease cost: | | |
| Amortization of leased assets | \$ 117 | \$ 116 |
| Interest on lease liabilities | 348 | 358 |
| Operating lease cost..... | 5,788 | 6,343 |
| Variable lease cost and other..... | 792 | 1,951 |
| Sublease income..... | (90) | — |
| Total lease cost | <u>\$ 6,955</u> | <u>\$ 8,768</u> |
| Weighted-average remaining lease term: | | |
| Operating leases | 11.67 | 11.06 |
| Finance leases..... | 1.60 | 2.60 |
| Weighted-average discount rate: | | |
| Operating leases | 4.99 % | 5.24 % |
| Finance leases..... | 10.00% | 10.00 % |

The Company's leases have original lease periods ending between 2021 and 2040. The Company's maturity analysis of operating and finance lease liabilities as of May 30, 2021 are as follows:

| <i>(in thousands)</i> | Operating Leases | Finance Leases | Total |
|---|------------------|-----------------|------------------|
| Fiscal year 2022..... | \$ 4,850 | \$ 466 | \$ 5,316 |
| Fiscal year 2023..... | 4,052 | 3,497 | 7,549 |
| Fiscal year 2024..... | 3,263 | 9 | 3,272 |
| Fiscal year 2025..... | 2,502 | 2 | 2,504 |
| Fiscal year 2026..... | 2,015 | — | 2,015 |
| Thereafter..... | 16,076 | — | 16,076 |
| Total lease payments..... | <u>32,758</u> | <u>3,974</u> | <u>36,732</u> |
| Less: interest..... | (8,685) | (547) | (9,232) |
| Present value of lease liabilities..... | 24,073 | 3,427 | 27,500 |
| Less: current obligation of lease liabilities | (3,768) | (121) | (3,889) |
| Total long-term lease liabilities | <u>\$ 20,305</u> | <u>\$ 3,306</u> | <u>\$ 23,611</u> |

Supplemental cash flow information related to leases are as follows:

| <i>(in thousands)</i> | Year Ended May 30, 2021 | Year Ended May 21, 2020 |
|---|----------------------------|----------------------------|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | \$ 6,322 | \$ 7,853 |
| Operating cash flows from finance leases | 348 | 328 |
| Financing cash flows from finance leases | 110 | 118 |
| Lease liabilities arising from obtaining right-of-use assets: | | |
| Operating leases | \$ 4,294 | \$ 3,752 |

During May 2021 we entered into a transportation management, warehousing, and transportation services agreement with Castellini Company, LLC to outsource Curation Foods' fresh packaged salads and vegetables logistics management, including transportation, warehousing and distribution. In connection with this arrangement, during the fiscal year ended May 30, 2021 we recorded a \$1.7 million impairment of our operating lease right-of-use assets related to certain vehicle leases, which is included in restructuring costs within the Consolidated Statements of Operations.

10. Commitments and Contingencies

Purchase Commitments

At May 30, 2021, the Company was committed to purchase \$75.4 million of produce and other materials. For the fiscal years ended May 30, 2021, May 31, 2020 and May 26, 2019, purchases related to long term commitments under take or pay agreements were \$3.0 million, \$3.4 million, and \$0.5 million, respectively.

Legal Contingencies

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

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

Claims Alleging Unfair Labor Practices

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

The legal actions consisted of various claims, all of which were settled in fiscal year 2017. Under the settlement agreement, the plaintiffs were to be paid in three installments. The Company and Pacific Harvest each agreed to pay one half of the settlement payments. The Company paid the entire first two installments and Pacific Harvest agreed to reimburse the Company for its \$2.1 million portion. As of May 30, 2021, the outstanding balance of the receivable was \$1.2 million. The Company makes ongoing estimates relating to the collectability of receivables. A reserve is established for any note when there is reasonable doubt that the principal or interest will be collected in full. The Company may write-off uncollectable receivables after collection efforts are exhausted. During the fiscal year 2020, the Company's review for collectability concluded that a receivable reserve of \$1.2 million would be recorded. The Company's conclusion regarding collectability changed as a result of Pacific Harvest communicating their refusal to pay combined with their brining claims against the Company. During the fiscal year ended May 30, 2021, the Company agreed to discharge Pacific Harvest from the \$1.2 million receivable as part of a settlement agreement with Pacific Harvest (see other litigation matters section below for additional information).

Compliance Matters

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

On October 21, 2019, the Company retained Latham & Watkins, LLP to conduct an internal investigation relating to potential environmental and Foreign Corrupt Practices Act ("FCPA") compliance matters associated with regulatory permitting at the Tanok facility in Mexico. The Company subsequently disclosed to the U.S. Securities and Exchange Commission ("SEC") and the U.S. Department of Justice ("DOJ") the conduct under investigation, and these agencies have commenced an investigation. The Company has also disclosed the conduct under investigation to the Mexican Attorney General's Office, which has commenced an investigation, and to Mexican regulatory agencies. The Company is cooperating in the government investigations and requests for information. The conduct at issue began prior to the Yucatan Acquisition, and the agreement for the Yucatan Acquisition provides the Company with certain indemnification rights that may allow the Company to recover the cost of a portion of the liabilities that have been and may be incurred by the Company in connection with these compliance matters. On September 2, 2020, one of the former owners of Yucatan filed a lawsuit against the Company in Los Angeles County Superior Court for breach of employment agreement, breach of contract, breach of holdback agreement, declaratory relief and accounting, and related claims. The Plaintiff seeks over \$10 million in damages, including delivery of shares of his stock held in

escrow for the indemnification claims described above. On November 3, 2020, the Company filed an answer and cross-complaint against the Plaintiff and other parties for fraud, indemnification, and other claims, and seeking no less than \$80 million in damages.

At this stage, the ultimate outcome of these or any other investigations, legal actions, or potential claims that may arise from the matters under investigation is uncertain and the Company cannot reasonably predict the timing or outcomes, or estimate the amount of net loss after indemnification, or its effect, if any, on its financial statements. Separately, there are indemnification provisions in the purchase agreement that may allow the Company to recover costs for fraud or breach of the purchase agreement from the seller. Because recovery of amounts are contingent upon a legal settlement, no amounts have been recorded as recoverable costs through May 30, 2021.

During the third quarter of fiscal year 2021 the Company reached a resolution with its insurance carrier that resulted in a recovery of \$1.6 million which is recorded as a reduction of selling, general and administrative in the Consolidated Statements of Operations for the fiscal year ended May 30, 2021. Absent further material developments in the investigation, the Company does not expect additional material recovery from the insurance carrier.

Other Litigation Matters

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

On February 14, 2020, a complaint was filed against the Company, Curation Foods, the Company's current CEO Albert Bolles, and the Company's former CFO Gregory Skinner (collectively, the "Landec Parties"), and other defendants in Santa Barbara County Superior Court, entitled *Pacific Harvest, Inc., et al. v. Curation Foods, Inc., et al.* (No. 20CV00920). The case was brought by Pacific Harvest, Inc. ("Pacific") and Rancho Harvest, Inc. ("Rancho"), two related companies that have provided labor and employee staffing services to Curation Foods. Among other things, Pacific and Rancho allege that Curation Foods wrongfully decreased its use of Pacific's staffing services and misappropriated Pacific's trade secrets when Curation Foods increased its use of another staffing company and transitioned Pacific's employees to the other staffing company. Pacific and Rancho also allege that Curation Foods breached agreements between the parties related to a loan from Curation Foods, on which Pacific and Rancho have ceased making payments. Pacific Harvest and Rancho asserted claims for breach of contract, breach of the implied covenant of good faith and fair dealing, intentional interference with contracts and potential economic advantage, misappropriation of trade secrets under California's Uniform Trade Secrets Act, business practices in violation of California Unfair Competition Law, fraud, defamation, violation of California Usury Law, breach of fiduciary duty, and declaratory relief regarding the parties' rights and obligations under certain of the parties' contracts. On March 15, 2021, the Company executed a settlement agreement related to this matter. In connection with the settlement agreement, the Company recorded a \$1.8 million charge after considering the total settlement amount and insurance recoveries, and this amount is included in Legal settlement charge in the Consolidated Statements of Operations for the fiscal year ended May 30, 2021. The final settlement amount was paid to the plaintiffs by Curation Foods, its co-defendants, and insurers on April 14, 2021. Pursuant to the settlement agreement, the case was dismissed with prejudice on April 23, 2021.

11. Business Segment Reporting

The Company operates using three strategic reportable business segments, aligned with how the Chief Executive Officer, who is the chief operating decision maker ("CODM"), manages the business: the Curation Foods segment, the Lifecore segment, and the Other segment.

The Curation Foods business includes (i) four natural food brands, including Eat Smart, *O* Olive Oil & Vinegar, Yucatan Foods, and Cabo Fresh, (ii) BreatheWay® activities, and (iii) activity related to our 26.9% investment in Windset. The Curation Foods segment includes activities to market and pack specialty packaged whole and fresh-cut fruit and vegetables, the majority of which incorporate the BreatheWay specialty packaging for the retail grocery, club store and food services industry and are sold primarily under the Eat Smart brand and various private labels. The Curation Foods segment also includes sales of BreatheWay packaging to partners for fruit and vegetable products, sales of olive oils and wine vinegars under the *O* brand, sales of avocado products under the brands Yucatan Foods and Cabo Fresh, and activity related to our previously held investment in Windset.

The Lifecore segment sells products utilizing hyaluronan, a naturally occurring polysaccharide that is widely distributed in the extracellular matrix of connective tissues in both animals and humans, and non-HA products for medical use primarily in the Ophthalmic, Orthopedic and other markets.

The Other segment includes corporate general and administrative expenses, non-Curation Foods and non-Lifecore interest income and income tax expenses. Corporate overhead is allocated between segments based on actual utilization and relative size.

All of the Company's assets are located within the United States of America except for the production facility in Mexico, which was acquired by the Company as a result of the Yucatan Foods acquisition. The following table presents our property and equipment, net by geographic region (in millions):

| | Year Ended | |
|---|-----------------|-----------------|
| | May 30, 2021 | May 31, 2020 |
| Property and equipment, net | | |
| United States | \$ 167.7 | \$ 179.1 |
| Mexico | 11.9 | 13.2 |
| Total property and equipment, net | <u>\$ 179.6</u> | <u>\$ 192.3</u> |

The Company's international sales by geography are based on the billing address of the customer and were as follows (in millions):

| | Year Ended | | |
|---------------------------|--------------|--------------|--------------|
| | May 30, 2021 | May 31, 2020 | May 26, 2019 |
| Canada | \$ 60.9 | \$ 76.4 | \$ 83.6 |
| Belgium | \$ 13.7 | \$ 13.8 | \$ 15.1 |
| Switzerland | \$ 4.7 | \$ 1.7 | \$ 1.2 |
| Czech Republic | \$ 3.5 | \$ 1.4 | \$ 0.0 |
| Ireland | \$ 2.0 | \$ 4.0 | \$ 5.0 |
| All Other Countries | \$ 5.1 | \$ 4.7 | \$ 3.9 |

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

| Year Ended May 30, 2021 | Curation Foods | Lifecore | Other | Total |
|---|-------------------|-----------|----------|------------|
| Product sales | \$ 446,074 | \$ 98,087 | \$ — | \$ 544,161 |
| Gross profit | 43,209 | 38,265 | — | 81,474 |
| Net income (loss) from continuing operations..... | (28,241) | 14,461 | (18,885) | (32,665) |
| Identifiable assets..... | 197,660 | 185,417 | 119,847 | 502,924 |
| Depreciation and amortization..... | 12,410 | 5,502 | 96 | 18,008 |
| Capital expenditures | 7,547 | 16,222 | — | 23,769 |
| Dividend income..... | 1,125 | — | — | 1,125 |
| Interest income..... | — | — | 48 | 48 |
| Interest expense, net..... | (5,502) | — | (9,842) | (15,344) |
| Income tax (benefit) expense..... | (8,918) | 4,568 | (3,451) | (7,801) |
| Corporate overhead allocation..... | 5,734 | 4,773 | (10,507) | — |
| | | | | |
| Year Ended May 31, 2020 | | | | |
| Product sales | \$ 504,533 | \$ 85,833 | \$ — | \$ 590,366 |
| Gross profit | 42,105 | 32,883 | — | 74,988 |
| Net income (loss) from continuing operations..... | (39,088) | 11,749 | (10,852) | (38,191) |
| Identifiable assets..... | 249,217 | 165,461 | 126,635 | 541,313 |
| Depreciation and amortization..... | 13,240 | 5,008 | 96 | 18,344 |
| Capital expenditures | 15,944 | 10,612 | 130 | 26,686 |
| Dividend income..... | 1,125 | — | — | 1,125 |
| Interest income..... | 37 | — | 66 | 103 |
| Interest expense, net..... | 5,504 | — | 4,099 | 9,603 |
| Income tax (benefit) expense..... | (13,028) | 3,346 | (3,434) | (13,116) |
| Corporate overhead allocation..... | 5,908 | 4,190 | (10,098) | — |
| | | | | |
| Year Ended May 26, 2019 | | | | |
| Product sales | \$ 481,686 | \$ 75,873 | \$ — | \$ 557,559 |
| Gross profit | 49,305 | 31,698 | — | 81,003 |
| Net income (loss) from continuing operations..... | (6,229) | 12,070 | (3,719) | 2,122 |
| Identifiable assets..... | 367,352 | 145,558 | 6,181 | 519,091 |
| Depreciation and amortization..... | 10,360 | 4,140 | 730 | 15,230 |
| Capital expenditures | 30,583 | 12,965 | 1,186 | 44,734 |
| Dividend income..... | 1,650 | — | — | 1,650 |
| Interest income..... | 112 | — | 33 | 145 |
| Interest expense, net..... | 3,278 | — | 1,952 | 5,230 |
| Income tax (benefit) expense..... | (1,373) | 4,024 | (1,133) | 1,518 |
| Corporate overhead allocation..... | 5,837 | 3,901 | (9,738) | — |

12. Quarterly Consolidated Financial Information (unaudited)

The following is a summary of the unaudited quarterly results of operations for fiscal years 2021 and 2020 (in thousands, except for per share amounts):

| Fiscal Year 2021 | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Annual |
|--|-------------|-------------|-------------|-------------|------------|
| Product sales | \$ 135,643 | \$ 130,904 | \$ 137,782 | \$ 139,832 | \$ 544,161 |
| Gross profit | 16,347 | 20,637 | 19,689 | 24,801 | 81,474 |
| Net (loss) income from continuing operations | (11,000) | (13,301) | (5,498) | (2,866) | (32,665) |
| Net (loss) income per basic share from continuing operations | \$ (0.38) | \$ (0.45) | \$ (0.19) | \$ (0.14) | \$ (1.12) |
| Net (loss) income per diluted share from continuing operations | \$ (0.38) | \$ (0.45) | \$ (0.19) | \$ (0.14) | \$ (1.12) |

| Fiscal Year 2020 | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Annual |
|--|-------------|-------------|-------------|-------------|------------|
| Product sales | \$ 138,714 | \$ 142,593 | \$ 152,928 | \$ 156,131 | \$ 590,366 |
| Gross profit | 15,336 | 15,514 | 20,047 | 24,091 | 74,988 |
| Net (loss) income from continuing operations | (4,784) | (6,740) | (11,518) | (15,149) | (38,191) |
| Net income (loss) applicable to common stockholders | (4,784) | (6,740) | (11,518) | (15,149) | (38,191) |
| Net (loss) income per basic share from continuing operations | \$ (0.16) | \$ (0.23) | \$ (0.39) | \$ (0.52) | \$ (1.31) |
| Net (loss) income per diluted share from continuing operations | \$ (0.16) | \$ (0.23) | \$ (0.39) | \$ (0.52) | \$ (1.31) |

13. Discontinued Operations

Now Planting

During the fourth quarter of fiscal year 2019, the Company discontinued its Now Planting business, which resided in its Curation Foods segment. As a result, the Company met the requirements to report the results of Now Planting as discontinued operations and to classify any assets and liabilities as held for abandonment.

As of May 30, 2021 and May 31, 2020 there were no assets or liabilities of the Now Planting business segment included in assets and liabilities of discontinued operations.

Once the Now Planting businesses was discontinued, the operations associated with these 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 Operations and the Notes to the Consolidated Financial Statements have been adjusted to exclude Now Planting in fiscal year 2019. Components of amounts reflected in (loss) income from discontinued operations, net of tax are as follows (in thousands):

| | Year Ended | | |
|--|--------------|--------------|--------------|
| | May 30, 2021 | May 31, 2020 | May 26, 2019 |
| Product sales | \$ — | \$ — | \$ 548 |
| Cost of product sales | — | — | (1,649) |
| Research and development | — | — | (102) |
| Selling, general and administrative | — | — | (1,035) |
| Loss from discontinued operations before taxes | — | — | (2,238) |
| Income tax benefit | — | — | 527 |
| Loss from discontinued operations, net of tax | \$ — | \$ — | \$ (1,711) |

Cash provided by (used in) operating activities by the Now Planting business totaled \$0.0 million, \$0.0 million, and \$(1.3) million for the fiscal years ended May 30, 2021, May 31, 2020 and May 26, 2019, respectively.

14. Restructuring Costs

During fiscal year 2020, the Company announced a restructuring plan to drive enhanced profitability, focus the business on its strategic assets and redesign the organization to be the appropriate size to compete and thrive. This includes a reduction-in-force, a reduction in leased office spaces and the sale of non-strategic assets.

The following table summarizes the restructuring costs recognized in the Company's Consolidated Statements of Operations, by Business Segment for the fiscal year ended May 30, 2021:

| <i>(In thousands)</i> | <u>Curation Foods</u> | <u>Lifecore</u> | <u>Other</u> | <u>Total</u> |
|--|-----------------------|-----------------|-----------------|------------------|
| <i>Year Ended May 30, 2021</i> | | | | |
| Asset write-off costs | \$ 8,370 | \$ — | \$ — | \$ 8,370 |
| Employee severance and benefit costs | 1,765 | — | — | 1,765 |
| Lease costs | 1,774 | — | — | 1,774 |
| Other restructuring costs | 3,861 | — | 1,851 | 5,712 |
| Total restructuring costs | <u>\$ 15,770</u> | <u>\$ —</u> | <u>\$ 1,851</u> | <u>\$ 17,621</u> |

Asset write-off costs

Asset write-off costs are costs related to impairment or disposal of property and equipment as part of the Company's restructuring plan to drive enhanced profitability, focus the business on its strategic assets and redesign the organization to be the appropriate size to compete and thrive. These costs are included in restructuring costs within the Consolidated Statements of Operations. See the Assets Held for Sale section within Note 1 for additional information.

In the first quarter of fiscal year 2021, the Company sold its interest in Ontario. The Company received net cash proceeds of \$4.9 million in connection with the sale and recorded a gain of \$2.8 million.

In the first quarter of fiscal year 2021, the Company recognized an \$8.8 million impairment loss related to its Hanover building and related assets which were sold in the second quarter of fiscal year 2021.

In the third quarter of fiscal year 2021, the Company recognized a \$1.9 million impairment loss related to BreatheWay equipment as a result of a strategic shift in our BreatheWay business model driven by our restructuring plan.

In the fourth quarter of fiscal year 2021, the Company recognized a \$0.5 million impairment loss related to nonoperational internal use software as a result of a strategic shift in our logistics strategy driven by our restructuring plan and our transportation management, warehousing, and transportation services agreement with Castellini Company, LLC.

Employee severance and benefit costs

Employee severance and benefit costs are costs incurred as a result of reduction-in-force driven by our restructuring plan and closure of offices and facilities. These costs were driven primarily by the closure of our San Rafael, California office, Santa Clara, California office, Los Angeles, California office, the sale of our Hanover manufacturing facility, and our transportation management, warehousing, and transportation services agreement with Castellini Company, LLC.

Lease Costs

In August 2020, the Company closed its leased Santa Clara, California office and entered into a sublease agreement. In the fourth quarter of fiscal year 2020 the Company closed its leased Los Angeles, California office and plans to sublease the office.

Other restructuring costs

For the fiscal year ended May 30, 2021, other restructuring costs primarily related to consulting costs to execute the Company's restructuring plan to drive enhanced profitability, focus the business on its strategic assets, and redesign the organization to be the appropriate size to compete and thrive.

The following table summarizes the restructuring costs recognized in the Company's Consolidated Statements of Operations by Business Segment, since inception of the restructuring plan in fiscal year 2020 through the fiscal year ended May 30, 2021:

| | <u>Curation Foods</u> | <u>Lifecore</u> | <u>Other</u> | <u>Total</u> |
|---|-----------------------|-----------------|-----------------|------------------|
| <i>(In thousands)</i> | | | | |
| Asset write-off costs | \$ 21,032 | \$ — | \$ 418 | \$ 21,450 |
| Employee severance and benefit costs..... | 3,233 | — | 784 | 4,017 |
| Lease costs | 2,166 | — | 26 | 2,192 |
| Other restructuring costs..... | 4,885 | — | 2,362 | 7,247 |
| Total restructuring costs..... | <u>\$ 31,316</u> | <u>\$ —</u> | <u>\$ 3,590</u> | <u>\$ 34,906</u> |

The total expected cost related to the restructuring plan is approximately \$37.0 million.

15. Subsequent Events

COVID-19 Pandemic

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

Sale of Windset Investment

On June 1, 2021, the Company and Curation Foods entered into and closed a Share Purchase Agreement (the “Purchase Agreement”) with Newell Capital Corporation and Newell Brothers Investment 2 Corp., as Purchasers (the “Purchasers”) and Windset, pursuant to which Curation Foods sold all of its equity interests of Windset to the Purchasers in exchange for an aggregate purchase price of \$45.1 million (the “Sale”). The Purchase Agreement included various representations, warranties and covenants of the parties generally customary for a transaction of this nature.

Concurrent with the consummation of the Sale, the Company used the net proceeds from the Sale, and net of \$3.6 million of prepaid interest and prepayment penalties (as required by the Refinance Term Loan), to pay down the Company's long-term debt by \$41.4 million.

(b) Index of Exhibits.

| Exhibit Number | Exhibit Title |
|-----------------------|--|
| 3.1 | Certificate of Incorporation of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on November 7, 2008. |
| 3.2 | Amended and Restated By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on October 16, 2012. |
| 3.3 | Amendment No. 1 to By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 7, 2019. |
| 3.4 | Amendment No. 2 to By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 24, 2019. |
| 3.5 | Amendment No. 3 to By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on October 19, 2020. |
| 4.1+ | Description of Capital Stock. |
| 10.1 | Form of Indemnification Agreement incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 17, 2018. |
| 10.2* | Landec Corporation Nonqualified Deferred Compensation Plan, incorporated herein by reference to the Registrant's Annual Report on Form 10-K filed on August 7, 2013. |
| 10.3* | Landec Corporation 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 11, 2013. |
| 10.4* | First Amendment to the Landec Corporation 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 23, 2017. |
| 10.5* | Form of Stock Grant Agreement for the Landec Corporation 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 11, 2013. |
| 10.6* | Form of Notice of Stock Option Grant and Stock Option Agreement for the Landec Corporation 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 11, 2013. |
| 10.7* | Form of Stock Unit Agreement for the Landec Corporation 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 11, 2013. |
| 10.8* | Form of Notice of Grant of Stock Appreciation Right and Stock Appreciation Right Agreement for the Landec Corporation 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 11, 2013. |
| 10.9* | Landec Corporation 2019 Stock Incentive Plan, including the forms of awards attached thereto, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 21, 2019. 2019 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated October 21, 2019. |
| 10.10* | Long-Term Incentive Plan for Fiscal Year 2020, incorporated herein by reference to Registrant's Current Report on Form 8-K filed on July 24, 2017. |
| 10.11* | Long-Term Incentive Plan for Fiscal Year 2021, incorporated herein by reference to the Registrant's Current Report on Form 8-K filed on July 30, 2018. |
| 10.12 | Settlement Agreement amongst the Registrant, Apio, Inc., Rancho Harvest, Inc. and Pacific Harvest, Inc. and the plaintiffs named therein and Addendum to the Settlement Agreement effective as of May 5, 2017, incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 10, 2017. |

| Exhibit Number | Exhibit Title |
|----------------|--|
| 10.13 | Purchase Agreement dated as of April 26, 2018, by and between Apio, Inc. Michael R. Mills, San Ysidro Farms, Inc., B&D Farms, Mahoney Brothers, and RCM Farms, LLC, incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on May 2, 2018. |
| 10.14 | Letter Agreement dated May 22, 2018 among the Registrant, Nelson Obus and Wynnefield Capital, Inc. incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 25, 2018. |
| 10.15 | Capital Contribution and Partnership Interest and Stock Purchase Agreement dated December 1, 2018 by and among Apio, Inc., a Delaware Corporation, Yucatan Foods, L.P., a Delaware limited partnership ("Yucatan"), Camden Fruit Corporation, a California corporation, Landec Corporation, a Delaware corporation, in its capacity as guarantor, Ardeshir Haerizadeh, as an equityholder representative, and the equityholders of Camden and Yucatan, incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on December 6, 2018. |
| 10.16 | Landec Corporation Executive Change in Control Severance Plan. |
| 10.17 | Credit and Guaranty Agreement, dated December 31, 2020, by and among Landec Corporation, Curation Foods, Inc. and Lifecore Biomedical, Inc., as borrowers, certain other subsidiary parties thereto, as guarantors, Goldman Sachs Specialty Lending Group, L.P., as lender, administrative agent and collateral agent, and certain affiliates of Guggenheim Credit Services, LLC, as lenders, incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 5, 2021. |
| 10.18 | Credit Agreement, dated December 31, 2020, by and among Landec Corporation, Curation Foods, Inc. and Lifecore Biomedical, Inc., as borrowers, certain other subsidiary parties thereto, as guarantors, and BMO Harris Bank., N.A., a slender and administrative agent, incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on January 5, 2021. |
| 10.19 | Pledge and Security Agreement, dated December 31, 2020, by and among Landec Corporation, Curation Foods, Inc., Lifecore Biomedical, Inc. and certain other subsidiary parties thereto, as grantors, and Goldman Sachs Specialty Lending Group, L.P., as collateral agent, incorporated herein by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on January 5, 2021 |
| 10.20 | Pledge and Security Agreement, dated December 31, 2020, by and among Landec Corporation, Curation Foods, Inc., Lifecore Biomedical, Inc. and certain other subsidiary parties thereto, as grantors, and BMO Harris Bank., N.A., as administrative agent, incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on January 5, 2021. |
| 10.21 | Employment Agreement, dated January 18, 2021, by and between Landec Corporation and John Morberg, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 20, 2021. |
| 10.22 | Separation and General Release by and between Landec Corporation and Brian McLaughlin, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on February 2, 2021. |
| 10.23 | Separation and General Release by and between Landec Corporation and Dawn Kimball, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 8, 2021 |
| 10.24 | Share Purchase Agreement, dated June 1, 2021, by and among the Company, Curation Foods, Newell Capital Corporation, Newell Brothers Investment 2 Corp., and Windset Holdings 2010 Ltd., incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 2, 2021. |
| 10.25 | Amended and Restated Employment Agreement between the Registrant and Albert D. Bolles, Ph.D., effective as of July 23, 2020, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on October 7, 2020. |
| 21.1+ | Subsidiaries of the Registrant |
| 23.1+ | Consent of Independent Registered Public Accounting Firm |

| Exhibit Number | Exhibit Title |
|-------------------|--|
| 24.1+ | Power of Attorney – See signature page |
| 31.1+ | CEO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2+ | CFO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1** | CEO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2** | CFO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS** | XBRL Instance |
| 101.SCH** | XBRL Taxonomy Extension Schema |
| 101.CAL** | XBRL Taxonomy Extension Calculation |
| 101.DEF** | XBRL Taxonomy Extension Definition |
| 101.LAB** | XBRL Taxonomy Extension Labels |
| 101.PRE** | XBRL Taxonomy Extension Presentation |
| * | Represents a management contract or compensatory plan or arrangement |
| ** | Information is furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing |
| + | Filed herewith. |

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Santa Maria, State of California, on July 29, 2021.

LANDEC CORPORATION

By: /s/ John Morberg

John Morberg

Chief Financial Officer

(Principal Financial and Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Albert D. Bolles and John Morberg, and each of them, as his or her attorney-in-fact, with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorney-in-fact to any and all amendments to said Report on Form 10-K.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated:

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|---|--|---------------|
| <u>/s/ Albert D. Bolles, Ph.D.</u> Albert D. Bolles, Ph.D. | President and Chief Executive Officer (Principal Executive Officer) and Director | July 29, 2021 |
| <u>/s/ John Morberg</u> John Morberg | Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) | July 29, 2021 |
| <u>/s/ Craig Barbarosh</u> Craig Barbarosh | Director | July 29, 2021 |
| <u>/s/ Deborah Carosella</u> Deborah Carosella | Director | July 29, 2021 |
| <u>/s/ Jeffrey Edwards</u> Jeffrey Edwards | Director | July 29, 2021 |
| <u>/s/ Katrina Houde</u> Katrina Houde | Director | July 29, 2021 |
| <u>/s/ Nelson Obus</u> Nelson Obus | Director | July 29, 2021 |
| <u>/s/ Tonia Pankopf</u> Tonia Pankopf | Director | July 29, 2021 |
| <u>/s/ Andrew K. Powell</u> Andrew K. Powell | Director | July 29, 2021 |
| <u>/s/ Joshua E Schechter</u> Joshua E. Schechter | Director | July 29, 2021 |
| <u>/s/ Catherine A. Sohn</u> Catherine A. Sohn | Director | July 29, 2021 |
| <u>/s/ Patrick D. Walsh</u> Patrick D. Walsh | Director | July 29, 2021 |

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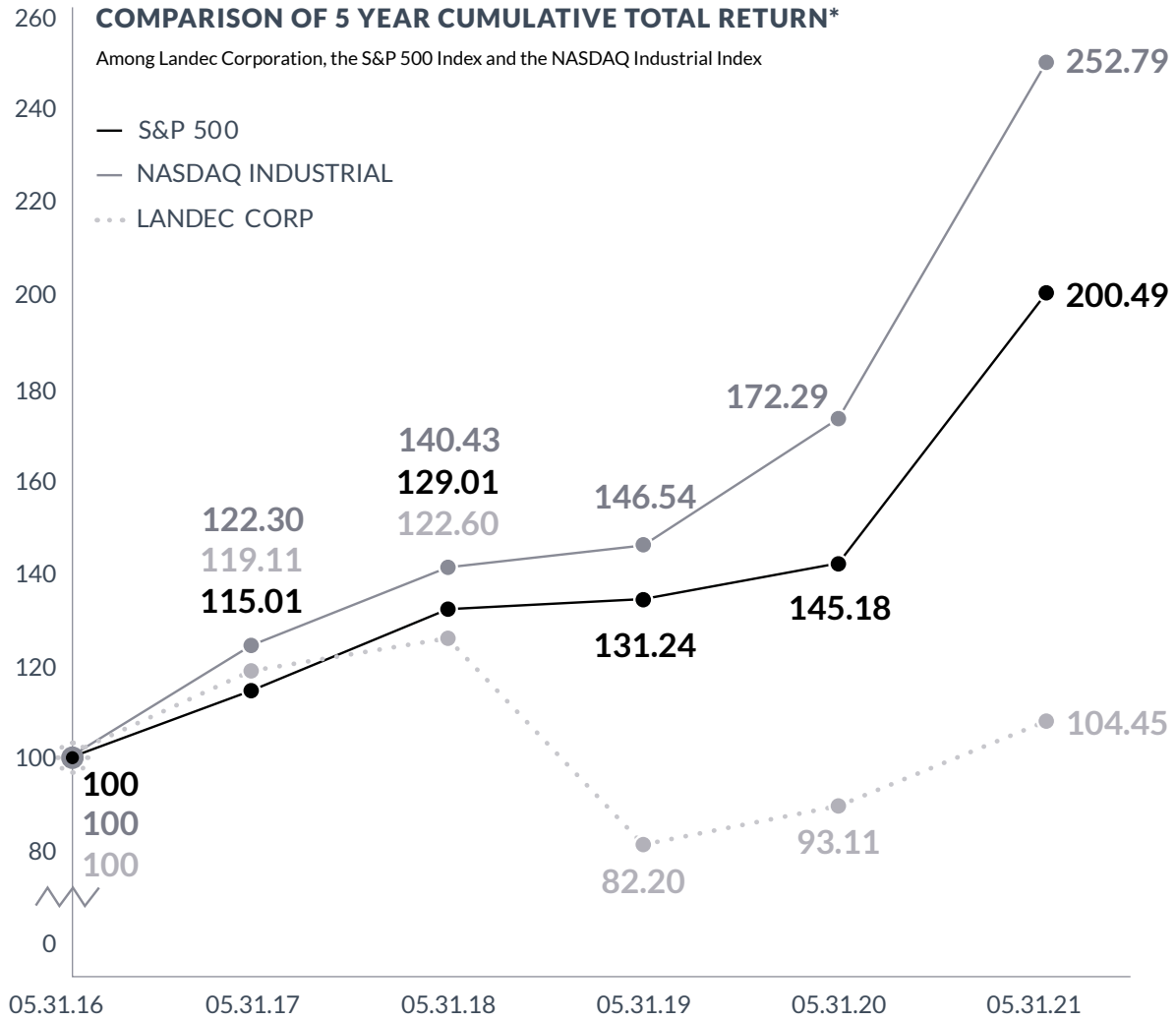
ANNUAL ADJUSTED EBITDA

| (UNAUDITED AND IN THOUSANDS) | CURATION FOODS | LIFECORE | OTHER | TOTAL |
|--|-------------------|-----------|-------------|-------------|
| Twelve Months Ended May 31, 2021 | | | | |
| Net (loss) income from continuing operations | \$ (28,241) | \$ 14,461 | \$ (18,885) | \$ (32,665) |
| Interest expense and loss on debt refinancing, net of interest income | 5,502 | - | 10,904 | 16,406 |
| Income tax (benefit) expense | (8,918) | 4,568 | (3,451) | (7,801) |
| Depreciation and amortization | 12,410 | 5,502 | 96 | 18,008 |
| Total EBITDA | (19,247) | 24,531 | (11,336) | (6,052) |
| Restructuring and other non-recurring charges ¹ | 18,460 | - | 7,216 | 25,676 |
| FMV change in Windset investment | 11,800 | - | - | 11,800 |
| Total adjusted EBITDA | \$ 11,013 | \$ 24,531 | \$ (4,120) | \$ 31,424 |
| Twelve Months Ended May 31, 2020 | | | | |
| Net (loss) income from continuing operations | \$ (39,088) | \$ 11,749 | \$ (10,852) | \$ (38,191) |
| Interest expense, net of interest income | 5,467 | - | 4,033 | 9,500 |
| Income tax (benefit) expense | (13,028) | 3,346 | (3,434) | (13,116) |
| Depreciation and amortization | 13,240 | 5,008 | 96 | 18,344 |
| Total EBITDA | (33,409) | 20,103 | (10,157) | (23,463) |
| Restructuring and other non-recurring charges ¹ | 20,697 | - | 7,634 | 28,331 |
| FMV change in Windset investment | 4,200 | - | - | 4,200 |
| Impairment of goodwill and intangibles ² | 12,953 | - | - | 12,953 |
| Total adjusted EBITDA | \$ 4,441 | \$ 20,103 | \$ (2,523) | \$ 22,021 |

¹ During fiscal year 2020, the Company announced a restructuring plan to drive enhanced profitability, focus the business on its strategic assets, and redesign the organization to be the appropriate size to compete and thrive. This included a reduction-in-force, a reduction in leased office spaces, and the sale of non-strategic assets. Related to these continued activities, in fiscal year 2021, the Company incurred (1) \$17.6 million (\$4.9 million in the fourth quarter of fiscal 2021) of restructuring charges, primarily related to the impairment and sale of the Company's Hanover, Pennsylvania manufacturing facility and related severance charges, the write-off of non-strategic assets, and other restructuring related consulting and legal costs; partially offset by the gain on sale of the Company's Ontario, California facility and (2) \$8.1 million (\$1.1 million in the fourth quarter of fiscal 2021) of certain non-recurring charges, primarily related to potential environmental and compliance matters at Curation Foods' Avocado Products factory in Silao, Mexico, and other restructuring related legal and consulting costs.

² These impairments are related to fiscal year 2020 Curation Foods' goodwill, trademarks and tradenames, and customer relationships with respect to its O Olive Oil and Vinegar and Yucatan brands.

The graph below matches Landec Corporation's cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the S&P 500 index and the NASDAQ Industrial index. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from 05.31.16-05.31.21.



| | 05.31.16 | 05.31.17 | 05.31.18 | 05.31.19 | 05.31.20 | 05.31.21 |
|--------------------|----------|----------|----------|----------|----------|----------|
| Landec Corporation | 100.00 | 119.11 | 122.60 | 82.20 | 93.11 | 104.45 |
| S&P 500 | 100.00 | 115.01 | 129.01 | 131.24 | 145.18 | 200.49 |
| NASDAQ Industrial | 100.00 | 122.30 | 140.43 | 146.54 | 172.29 | 252.79 |

* \$100 invested on 5/29/16 in stock and index, including reinvestment of dividends. Indexes calculated on month-end basis.



BOARD OF DIRECTORS

Andrew Powell

Retired Executive Vice President
and Counsel, Medivation, Inc.

Albert D. Bolles, Ph.D.

President and Chief Executive Officer,
Landec Corporation

Craig Barbarosh

Director and Partner,
Katten Muchin Rosenman, LLP

Deborah Carosella

Retired Chief Executive Officer,
Madhava Natural Sweeteners

Jeffrey Edwards

Chief Financial Officer,
Serica Technologies, Inc.

Katrina L. Houde

Retired Chief Executive Officer,
SunOpta, Inc.

Nelson Obus

Managing Member,
Wynnefield Capital Management, LLC

Tonia Pankopf

Managing Partner,
Pareto Advisors, LLC

Joshua Schechter

Chairman,
Support.com, Inc.

Catherine A. Sohn, Pharma.D.

Retired Senior Vice President,
GlaxoSmithKline, plc

EXECUTIVE OFFICERS

Albert D. Bolles, Ph.D.

President and
Chief Executive Officer

John D. Morberg

Chief Financial Officer & Secretary

James G. Hall

President,
Lifecore Biomedical

Timothy Burgess

Senior Vice President of Supply Chain,
Curation Foods

CORPORATE HEADQUARTERS

Landec Corporation
2811 Airpark Blvd.
Santa Maria, California 93455

(650) 306-1650

NUMERICAL REPORTING

Fiscal 2021 results, amounts and percentages noted in the 2021 Annual Report are subject to rounding.

STOCK LISTING

The Company's common stock is traded on the Nasdaq Global Select Market under the symbol LNDC. The Company has filed an annual report on Form 10-K with the Securities and Exchange Commission. Stockholders may obtain a copy of this report and Form 10-K without charge by writing the Company at our corporate address, listed above.

STOCKHOLDER'S INFORMATION

Transfer Agent and Registrar

The stock transfer agent and registrar for Landec Corporation is Broadridge. Stockholders who wish to transfer their stock, or change the name in which the shares are registered, should contact:

Broadridge Corporate Issuer
Solutions, Inc.
PO Box 1342
Brentwood, NY 11717

(800) 733-1121

FORWARD-LOOKING STATEMENTS

Except for historical information contained here, in the matters discussed in the enclosed materials are forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ materially including risks detailed from time to time in the Company's filings with the Securities and Exchange Commission.

LEGAL

Independent Registered Public Accounting Firm

Ernst & Young LLP
San Francisco, CA

Corporate Counsel

Latham and Watkins LLP
Los Angeles, CA

TRADEMARKS

The following are some of the official trademarks of Landec Corporation:

Landec®
Intelimer®
Lifecore® Biomedical
Yucatan®
BreatheWay®

Cabo Fresh®
Eat Smart®
Corgel® BioHydrogel
O Olive Oil & Vinegar®

LANDEC

LANDEC CORPORATION

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Santa Maria, California 93455

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