LANDEC

2019 ANNUAL REPORT

Innovations For Healthy Living

Introducing

Curation FOODS

Announced in January 2019 as the corporate umbrella for our portfolio of natural food brands and patented packaging technology.

CABO FRESH | OLIVE OIL & VINEGAR | Eat Smart | BreatheWay | YUCATAN

Curation FOODS

Curation Foods, our natural foods business, is focused on innovating 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, which naturally extends the shelf life of fruits and vegetables. Curation Foods brands include Eat Smart® fresh packaged vegetables and salads, O Olive Oil & Vinegar® premium artisan products, and Yucatan® and Cabo Fresh® avocado products.

Lifecore BIOMEDICAL

Lifecore Biomedical, our biomedical business, is a fully integrated contract development and manufacturing organization or CDMO that offers highly differentiated capabilities in the development fill and finish of difficult to manufacture pharmaceutical products distributed in syringes and vials. As a leading manufacturer of premium, injectable grade Hyaluronic Acid (HA), and more recently injectable pharmaceutical drug products, Lifecore brings over 35 years of expertise as a partner for global and emerging biopharmaceutical and biotechnology companies across multiple therapeutic categories to bring their innovations to market.

Landec FY19 Consolidated Financial Overview

Landec Income Statement ($ in Millions)			
	FY19	FY18	YoY
Revenues $	$557.6	$524.2	6%
GP $	$81.0	$78.3	3%
GM%	14.5%	14.9%	-0.40bps
Adjusted EBITDA $*	$26.1	$25.7	1%
Adjusted EBITDA %*	4.7%	4.9%	-0.20bps

Landec Financial Metrics ($ in Millions)			
	FY19	FY18	YoY
Total Assets	$519	$405	$114
Debt/Equity	55%	27%	104%
Adjusted Cash Flow From Operations*	$20.9	$19.8	6%

*Landec Adjusted EBITDA and cash flow numbers are non-GAAP measures. Reconciliations of Landec financial measures presented in accordance with GAAP, are set forth on page 74.

Consolidated revenues, gross profit and adjusted EBITDA all increased during FY19 compared to FY18. EBITDA was adjusted for non-recurring items such as the operating loss at Yucatan driven primarily from acquisition-related expenses, the write-off of the GreenLine tradename and write-offs from discontinuing certain businesses. Cash flow from operations was adjusted for non-cash, non-recurring items.

Revenues from continuing operations in FY19 increased 6% to $557.6 million from $524.2 million in FY18. The increase was due to a $22.9 million or 5% increase in revenues at Curation Foods and a $10.4 million or 16% increase in Lifecore revenues.

Net income from continuing operations for FY19 was $2.1 million or $0.07 per share compared to net income from continuing operations of $25.8 million or $0.92 per share in FY18. The decrease was a result of: (1) a $14.3 million or $0.51 per share, one-time tax benefit from the new corporate income tax rate that went into effect during the third quarter of FY18, (2) a $10.8 million increase in operating expenses primarily due to the acquisition of Yucatan Foods in the third quarter of FY19, (3) a $465,000 decrease in gross profit at Curation Foods primarily due to a decrease in Eat Smart revenues caused by a reduction in lower margin legacy core vegetable bag and tray sales at retail and by an unfavorable product mix for salads, with the decrease in Eat Smart gross profit being almost completely offset by gross profit from Yucatan Foods, (4) recognizing $1.6 million of income from the change in our Windset investment in FY19 compared to recognizing $2.9 million of income during FY18 and (5) a $3.3 million increase in interest expense. These decreases in net income were partially offset by a $3.1 million increase in gross profit at Lifecore and from a $3.4 million decrease in income taxes, excluding the impact from the tax reform in FY18.

Regarding our financial position, we ended FY19 with $149 million of debt, which represents a debt to equity ratio of 55%. Adjusted cash flows from operations for FY19 were $20.9 million. Capital expenditures for FY19 were $44.7 million.

During FY20, the Company will continue to invest in innovation, people and processes that will accelerate growth in FY20 and beyond. Specifically, in FY20 we will concentrate our efforts for profitable growth at Lifecore by (1) adding additional aseptic filling capacity, (2) expanding sales volumes with current customers and (3) adding to the existing development pipeline to ensure continued future growth. At Curation Foods, profitable growth will be achieved by (1) simplifying the food business, (2) focusing on fewer new products that deliver high impact, (3) executing with operational excellence and (4) driving cost out while improving productivity.

LANDEC

LIFECORE GROWTH FUELED BY THE CONTINUED EXPANSION OF ITS CDMO BUSINESS

LIfecore FY19 Results ($ in Millions)

Revenues	$75.9
GM%	41.8%
EBITDA including intercompany charges	$20.2
Cash Flow from Operations	$9.7

Revenues Grew 16% In FY19

Lifecore continued to see success in FY19, with revenues increasing 16% to $75.9 million and gross profit increasing 11% to $31.7 million compared to FY18. Lifecore's performance was driven by continued growth with its existing customers and expansion of its product development pipeline with new customers, as demonstrated by 40% growth in business development revenues and a 15% increase in aseptic fill revenues compared to FY18.

Lifecore offers highly differentiated product and process development capabilities for customers with difficult to manufacture pharmaceutical products in aseptically filled syringes and vials. As a leading manufacturer of premium, injectable grade HA and injectable pharmaceutical drug products, Lifecore brings 35 years of expertise as a manufacturing partner for global and emerging biopharmaceutical and biotechnology companies across multiple therapeutic categories so these companies can successfully bring their innovations to market. During FY19, Lifecore completed the installation of its $16 million multi-purpose filling line to support continued expansion of its manufacturing capabilities and capacity in order to support its growing CDMO and HA businesses. This provides Lifecore with the capacity to fill commercial quantities of drug products in vials, in addition to its existing capacity to fill syringes. Lifecore also increased its HA fermentation capacity by 25% in preparation for future HA demand driven by products currently in its product development pipeline.

Lifecore Revenues and EBITDA Growth

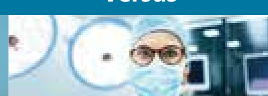
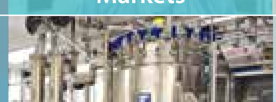
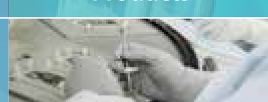
($ in Millions)

Lifecore CDMO Business Positions Itself For Continued Growth With Capability Enhancements

Since FY15, Lifecore has seen 4-year CAGR EBITDA growth of 35% as a result of continued expansion within its CDMO and fermentation segments. Lifecore continues to benefit from a growing trend among pharmaceutical and other medical companies to outsource specialty services and manufacturing. With a growing number of products in the industry seeking FDA approval, Lifecore is well positioned as a fully integrated CDMO to augment its pipeline with new projects to fuel its long-term growth.

The CDMO business grew to 72% of Lifecore's total revenues in FY19, driven by a commitment to broaden its capabilities to support new and existing customers that are increasingly faced with technical challenges associated with their product development and manufacturing strategies. Lifecore currently manages fifteen FDA regulated drug and medical device products in various stages of development. These range from early phase pre-clinical work, to late phase pivotal clinical stages, to products under regulatory review waiting for FDA approval. Lifecore can manage the entire product development lifecycle from pre-clinical, to FDA approval and commercialization. Lifecore builds its product development pipeline utilizing its expertise in working with highly viscous and challenging solutions to partner with customers developing novel therapies. Lifecore distinguishes itself by providing its customers with the highest quality products and services, differentiated drug development and manufacturing capabilities and one-on-one relationships with subject matter experts, resulting in the ability to solve its customers' most complex drug development challenges. Through partnerships with the right clients with the right opportunities and making the right investments – Lifecore has and will continue to deliver consistent growth.

Lifecore BIOMEDICAL

2010	Versus	2019
Ophthalmic, Orthopedic	 Markets	Ophthalmic, Orthopedic, Oncology, ENT, Pulmonary, Neurology, General Surgery
Hyaluronic Acid (HA) Manufacturer	 Capabilities	Contract Development & Manufacturing Organization (CDMO) with fill-finish expertise to manufacture specialized products. Expanded HA offering.
Medical Devices	 Products	Drugs, Medical Devices, Combination Products, Biologics
114K ft2 2.5M Syringes	 Capacity	226K ft2 17M Syringes and Vials

CURATION FOODS STRATEGICALLY POSITIONED TO PROVIDE LONG TERM PROFITABLE GROWTH

Curation Foods FY19 Results ($ in Millions)

Revenues	$481.7
GM%	10.2%
Adjusted EBITDA including intercompany charges	$10.5
Adjusted Cash Flow from Operations	$8.1

FY19 was a transformative year for our food business as we concluded our transition from a packaged fresh vegetable company to a natural food company. We completed the largest transaction in the Company's history by acquiring Yucatan Foods, we launched Curation Foods, a corporate entity that serves as the Corporate umbrella for the portfolio of our food brands, and we named new executive leadership. We have positioned ourselves to succeed with our portfolio of natural food brands as we address the needs of the plant-forward consumer. Plant-forward consumers are not necessarily vegan or vegetarian, but prefer approximately 70 percent of their meals to be plant-based. Landec's research shows that 17 percent of the U.S. population and 23 percent of the Canadian population are plant-forward consumers.

Curation Foods Pathway to Profitable Growth

We will grow the profitability of our business with a focus on higher gross margin products in growing retail segments. With the acquisition of Yucatan Foods, we now have four plant-based 100% clean ingredient brands. Our flagship brand, Eat Smart packaged fresh vegetables and salads, is now joined with our natural food brands--O Olive Oil & Vinegar premium artisan products, and Yucatan and Cabo Fresh avocado products. The Curation Foods higher margin natural food products comprised 63% of its total revenues in FY19. As these higher margin products scale, they will deliver a greater percentage of total profits and overall gross margin improvement in our food business.

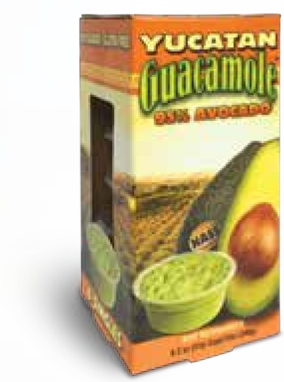
FY19 Revenue

Eat Smart Single Serve Salad Kits Revenue Grew 133%

The Eat Smart brand continues as the market leader in Canada for multi-serve salad kits and its Eat Smart Sweet Kale Salad kit has maintained its ranking as the number one retail salad kit SKU in the U.S. and Canada. Eat Smart continues to introduce novel product innovations to maintain its leadership position in Canada and increase its share of salads in the U.S. According to Nielsen, which excludes certain retailers and Costco, for the 12-months ended May 2019, Eat Smart salad kit revenues, in retail sales, outpaced the 5.8% salad kit category growth. During FY19, our overall salad revenue, in manufacturer sales, grew by 1% compared to FY18. This growth was driven by growth in the U.S. retail market, which was partially offset by lower Club sales. Our innovative Eat Smart single serve salad kits revenue grew 133% to $23 million in gross retail sales in FY19 compared to FY18 and is responsible for 63% of the single serve category growth in North America.

Recently Acquired Yucatan Foods

Landec acquired Yucatan Foods on December 1, 2018. Headquartered in Los Angeles, California with plant operations in Guanajuato, Mexico, Yucatan Foods has grown to approximately $55 million in net sales, selling two brands, Yucatan and Cabo Fresh to retailers throughout North America. All products are made with 100% clean ingredients and fresh Haas avocados make up about 95% of the product ingredients. Yucatan was the first to market with an organic line of guacamole in both the U.S. and Canada. Significant growth is expected from the Yucatan and Cabo Fresh brands due to their authentic and flavorful products. Consumer demand for pre-packaged convenient guacamole products is driven by strong demand for avocado products as they provide healthy calories and are quickly becoming a staple in people's diets. According to IRI, the branded guacamole category at retail has shown an 18% three year CAGR in North America and for the twelve months ended May 2019, retail sales of guacamole were $389 million in North America, growing at a 10.7% annual rate. The combined sales of the Yucatan and Cabo Fresh brands command a 16% market share in the guacamole category in North America. The addition of Yucatan Foods not only broadens our plant-based product offering, but also enhances the Curation Foods capabilities within sales, customer service, supply chain and innovation to better serve our customers for the long-term.



Yucatan Brand Reached $42 million in Gross Sales

Yucatan brand guacamole, rooted in its 27-year-heritage, offers traditional, authentic Mexican taste, steeped in honoring the traditions of local people, places and ingredients. Yucatan avocado products are typically sold in the deli section of grocery retail. According to IRI, during the 12 months ending May 2019, the Yucatan brand delivered $41.5 million in retail gross sales.

Cabo Fresh Brand Revenues Grew 77%

Cabo Fresh, our emerging guacamole brand, targets millennial plant-forward food consumers, with unique blends of fresh ingredients and bold flavors from regions around the world. According to IRI, during the 12 months ending May 2019, Cabo Fresh, sold primarily in the produce section, grew 77% to $20 million in retail gross sales compared to the same period a year ago.

O Brand Revenues Grew 39%

O Olive Oil & Vinegar handcrafted artisan products, acquired in March 2017, continues to deliver on the strategic objective of producing a high gross margin from a distinct premium brand. O competes in three growing retail categories - premium wine vinegar, organic apple cider vinegar and extra virgin olive oil. O completed their brand refresh in FY19, and grew the number of its distribution points by 32% and their top line revenue by 39% compared to FY18 by addressing demand in the Natural, Grocery and Club channels in North America.

Shareholders Letter

Our goal is to be a growing and profitable business delivering substantial value to our shareholders, while respecting people and preserving the planet for future generations.

Dear Shareholders,

This is my first letter as President and CEO of our Company.

Like many of you, I am passionate about our mission to provide innovative products that support everyone's unique health & wellness journey. I am pleased to outline our corporate strategy and key initiatives to drive profitability and sustainable growth for both of our business units, Lifecore Biomedical and Curation Foods. The pillars of our business are our greatest strengths – our people, innovation, product quality and sustainable business practices. While the pillars remain constant, our business units have different strategies and focus, as they are in different and unique stages of growth.

For Lifecore, we are focused on sustaining growth with strategic investment in capabilities and capacity. Lifecore continues to benefit from a trend among pharmaceutical and other medical material companies to outsource specialty services and manufacturing. With an increasing number of products in the industry seeking FDA approval, Lifecore is well positioned as a fully-integrated CDMO to augment its existing robust pipeline with new projects to fuel its long-term growth. In FY19, we began to commercialize a new multi-purpose filling line that will be utilized for aseptically filling products into both vials and syringes. Although revenue generated from this line will vary depending on product mix, at full capacity the line has the potential to generate $40 to $50 million of new product revenue annually. Looking ahead to FY20, we will be investing an additional $13 million for capacity expansion to meet on-going customer demand.

For Curation Foods, our path to sustainable financial growth starts with setting fewer priorities that are more impactful and managing our operations with excellence. I believe we must simplify and focus our business in order to strengthen our business. The transformation of our food business has been a key initiative this past year as we concluded our transition from a packaged fresh vegetable company to a natural food company. We completed the largest acquisition in the Company's history by acquiring Yucatan Foods, we launched Curation Foods, a corporate entity that serves as the corporate umbrella for our portfolio of natural food brands, we named new executive leadership, and we took action to improve financial performance and strengthen our business by streamlining the organization. For efficiency and focus, we reduced the number of ongoing projects to align the team to work on higher margin, higher impact initiatives. Our actions included discontinuing the Now Planting plant-based soup operations, and the Eat Smart e-commerce business. In addition, we consolidated our remaining GreenLine® green beans products under the Eat Smart brand.

Now that the transition at Curation Foods from a packaged fresh vegetable company to a natural food company has been completed, the team is energized and we are positioned to succeed. In our existing natural food portfolio, consisting of Eat Smart, O, Yucatan and Cabo Fresh brands, we will focus on novel product innovations and growing distribution of our higher margin product lines, all of which deliver on the consumer trend and customer demand for plant-based foods. The organization is determined to execute with excellence and is actively finalizing the integration of Yucatan Foods, while simultaneously, developing a network optimization plan across the organization and investing in new cost-out initiatives that will deliver higher productivity and continue to simplify our food business.

Across the organization, at both Lifecore Biomedical and Curation Foods, we are ramping up our sustainability activity, and we have published our first Landec Sustainability Handbook. We are actively working to understand the environmental and social impacts of our business and set targets to improve performance.

I am confident about our plans to drive profitable growth in FY20 and beyond. We will have an enhanced focus on food quality and safety and the health and safety of our employees. In addition, we will be investing our capital in growth initiatives, simplifying our business, executing with operational excellence, and driving costs out of our business.

Our goal is to be a growing and profitable business by delivering substantial and increasing value to our customers and to our shareholders, in a way that respects people and preserves the planet for future generations.

ABolles

Albert Bolles, PH.D., *Landec President & CEO*

2019 Proxy Statement and 10-K

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON OCTOBER 16, 2019

TO THE STOCKHOLDERS OF LANDEC CORPORATION:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Landec Corporation (the "***Company***") will be held on Wednesday, October 16, 2019, at 12:30 p.m. (Pacific Time)). The Annual Meeting can be accessed by visiting www.virtualshareholdermeeting.com/LNDC2019, where you will be able to listen to the meeting live, submit questions, and vote online for the following purposes:

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

2. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending May 31, 2020;

3. To approve the Company's 2019 Stock Incentive Plan;

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

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

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

Only stockholders of record at the close of business on August 19, 2019, are entitled to notice of and to vote at the meeting and any adjournment(s) thereof.

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

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Geoffrey P. Leonard

GEOFFREY P. LEONARD
Secretary

Santa Clara, California
August 21, 2019

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 2019 ANNUAL MEETING OF STOCKHOLDERS

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Proxy Statement

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON OCTOBER 16, 2019

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed proxy is solicited on behalf of the Board of Directors of Landec Corporation, a Delaware corporation ("***Landec***" or the "***Company***"), for use at the annual meeting of stockholders (the "***Annual Meeting***") to be held virtually on Wednesday, October 16, 2019, at 12:30 p.m. (Pacific Time), or at any postponement or adjournment thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting can be accessed by visiting www.virtualshareholdermeeting.com/LNDC2019, 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 5201 Great America Parkway, Suite 232, Santa Clara, California 95054. The Company's telephone number at that location is (650) 306-1650.

Solicitation

These proxy solicitation materials are to be mailed on or about September 6, 2019 to all stockholders entitled to vote at the meeting. The costs of soliciting these proxies will be borne by the Company. These costs will include the expenses of preparing and mailing proxy materials for the Annual Meeting and the reimbursement of brokerage firms and others for their expenses incurred in forwarding solicitation material regarding the Annual Meeting to beneficial owners of the Company's common stock, par value $0.001 per share (the "***Common Stock***"). The Company may conduct further solicitation personally, telephonically or by facsimile through its officers, directors and regular employees, none of whom will receive additional compensation for assisting with the solicitation.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on October 16, 2019.

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

You may also find a copy of this Proxy Statement and our Annual Report (with exhibits) on the SEC website at *http://www.sec.gov.* **We will, upon written request and without charge, send you additional copies of our Annual Report (without exhibits) and this Proxy Statement. To request additional copies, please send your request by mail to Gregory S. Skinner, Chief Financial Officer, Landec Corporation, 5201 Great America Parkway, Suite 232, Santa Clara, CA 95054 (telephone number: (650) 306-1650). Exhibits to the Annual Report may be obtained upon written request to Mr. Skinner and payment of the Company's reasonable expenses in furnishing such exhibits.**

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 19, 2019, will be entitled to vote at the Annual Meeting. At the close of business on August 19, 2019, we had 29,146,293 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 19, 2019, 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. Shares present and not voted, whether by broker non-vote, abstention or otherwise, will have no effect on this vote.

Proposal No. 3 - Approval of the 2019 Stock Incentive Plan: This proposal must be approved by shares representing a majority of the shares present and entitled to vote on the proposal. Shares present and not voted, whether by broker non-vote, abstention or otherwise, will have the same effect as a vote against this proposal.

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

Any proxy which is returned using the form of proxy enclosed and which is not marked as to a particular item will be voted FOR the election of 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 31, 2020; FOR the approval of the Company's 2019 Stock Incentive Plan; FOR the advisory vote on executive compensation; and as the proxy holders deem advisable on other matters that may come before the meeting or any adjournment(s) thereof, as the case may be, with respect to the item not marked. Broker non-votes will not be considered as voting with respect to these matters.

Voting Instructions; Voting of Proxies

If you are a stockholder of record, you may:

- vote via the virtual meeting website - any stockholder can attend the Annual Meeting by visiting www.virtualshareholdermeeting.com/LNDC2019, where stockholders may vote and submit questions during the meeting. The Annual Meeting starts at 12:30 p.m. (Pacific Time). Please have your 16-Digit Control Number to join the Annual Meeting. Instructions on how to attend and participate via the Internet, including how to demonstrate proof of stock ownership, are posted at www.proxyvote.com;

- vote via telephone or Internet - in order to do so, please follow the instructions shown on your proxy card; or

- vote by mail - complete, sign, and date the proxy card enclosed herewith and return it before the Annual Meeting in the envelope provided.

Votes submitted by telephone or Internet must be received by 11:59 pm Eastern Time on October 15, 2019. Submitting your proxy, whether via the Internet, by telephone, or by mail, will not affect your right to vote should you decide to attend the virtual Annual Meeting. If you are not the stockholder of record, please refer to the voting instructions provided by your nominee to direct your nominee on how to vote your shares. You may either vote "FOR" all of the nominees to the board of directors, or you may withhold your vote from all nominees or any nominee you specify. For Proposals 2, 3 and 4, you may vote "FOR" or "AGAINST" or "ABSTAIN" from voting. Your vote is important. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure that your vote is counted.

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

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

Revocability of Proxies

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

- delivering to our Corporate Secretary (by any means) a written notice stating that the proxy is revoked;

- signing and delivering a proxy bearing a later date;

- voting again by telephone or Internet; or

- attending and voting at the Annual Meeting (although attendance at the Annual Meeting will not, by itself, revoke a proxy).

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

Voting Results

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

Deadline for Receipt of Stockholder Proposals for the Company's Annual Meeting of Stockholders in 2020

If any stockholder desires to present a stockholder proposal at the Company's 2020 Annual Meeting of Stockholders, such proposal must be received by the Secretary of the Company no later than May 8, 2020, in order that they may be considered for inclusion in the proxy statement and form of proxy relating to that meeting. If the date of next year's annual meeting is moved more than 30 days before the anniversary date of this year's annual meeting, the deadline for inclusion of proposals in our proxy statement is instead a reasonable time before we begin to print and mail our proxy materials. Such proposals will also need to comply with SEC regulations under Rule 14a-8 of the Exchange Act of 1934 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Each such notice must be made by a stockholder of record and must also contain the information specified in our bylaws for director nominations and other stockholder proposals.

Householding of Proxy Materials

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

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Nominees

The Company's Bylaws currently provide for no fewer than six (6) and no more than ten (10) directors, with the exact number fixed at ten (10), and the Company's Certificate of Incorporation provides for the classification of the Board of Directors into two classes serving staggered terms. Each Class 1 and Class 2 director is elected for a two-year term, with the Class 2 directors elected in odd numbered years (*e.g.*, 2019) and the Class 1 directors elected in even numbered years (*e.g.*, 2020). Accordingly, at the Annual Meeting, five (5) Class 2 directors will be elected.

The Board of Directors has nominated the persons named below to serve as Class 2 directors until the 2021 Annual Meeting, at which their successors will be elected and qualified. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company's five (5) nominees named below. In the event that any nominee of the Company is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the present Board of Directors to fill the vacancy. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner as will assure the election of as many of the nominees listed below as possible, and, in such event, the specific nominees to be voted for will be determined by the proxy holders. Assuming a quorum is present, the five (5) nominees for director receiving at least a majority of votes cast at the Annual Meeting will be elected.

Class 2 Directors

Nominees for Class 2 Directors

Name of Director	Age	Principal Occupation	Director Since
Albert D. Bolles, Ph.D.	62	President and Chief Executive Officer of the Company	2014
Deborah Carosella	62	Strategic Consultant, Former CEO of Madhava Natural Sweetners	2017
Tonia Pankopf	51	Managing Partner, Pareto Advisors, LLC	2012
Craig A. Barbarosh	52	Partner, Katten Muchin Rosenman LLP	-
Charles Macaluso	75	Principal, Dorchester Capital Advisors, LLC	-

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

Dr. Albert Bolles is President and CEO of Landec Corporation and has served as a member of the Board of Directors since May 2014. Prior to becoming the Company's President and CEO on May 23, 2019, Dr. Bolles was the Chairman of the Food Innovation Committee and a member of the Compensation Committee and Nominating and Corporate Governance Committee. Prior to his retirement in August 2015, Dr. Bolles served as Executive Vice President, Chief Technology & Operations Officer of ConAgra Foods, Inc. ("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 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 PepsiCo Beverages and Foods, responsible for global R&D leadership for beverages (Pepsi, Gatorade, and Tropicana) and Quaker Foods including product, process, package and sensory R&D, Nutrition, Quality, and Scientific & Regulatory Affairs. His prior employment was with Gerber Foods for over 8 years with his last role being its R&D Director, overseeing infant and toddler global research and development. Dr. Bolles currently serves on the board of directors of SunOpta, Inc. and Arcadia Biosciences, Inc. He has a Ph.D. and M.S. degrees in Food Science, and a Bachelors' Degree in Microbiology, all from Michigan State University.

Dr. Bolles is a preeminent leader in food science and provides the Board of Directors with valuable areas of expertise in new product development, innovation, quality, and supply chain in the packaged consumer food business.

Ms. Carosella has served as a member of the Board of Directors since March 2017. Ms. Carosella has over 30 years of experience in the consumer products goods industry, with both large corporations and smaller, entrepreneurial, high growth companies. Ms. Carosella has extensive experience in the natural and organic foods industry, and particular expertise in general management, strategic marketing, branding, and new product development/innovation. Most recently she has served as a strategic consultant for various natural and organic food companies. Previously, Ms. Carosella was CEO of Madhava Natural Sweeteners, a Boulder, Colorado-based natural and organic sweetener company until December 2016. Prior to Madhava, Ms. Carosella was Senior Vice President of Innovation and a member of the Executive Leadership Team at Whitewave/Dean Foods. She joined Whitewave/Dean Foods from ConAgra Foods, Inc. where she held various roles including Vice President, General Manager and Vice President, Strategic Marketing and Innovation and Executive Vice President New Platforms while serving on the Executive Leadership Team with business unit-specific and enterprise-wide responsibilities. Ms. Carosella began her career in the advertising, branding and innovation agency business, serving as President of her own agency after working for several years with large, multi-national agencies.

Ms. Carosella's experience in consumer products and specifically in the areas of general management, strategic marketing, branding and new product development/Innovation provides the Board of Directors and management with expertise that will be invaluable as the Company develops growth strategies for Landec's wholly owned subsidiary, Curation Foods, Inc. ("Curation Foods").

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

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

Mr. Barbarosh is a partner at the international law firm of Katten Muchin Rosenman LLP, a position he has held since June 2012. From January 1999 until June 2012, Mr. Barbarosh was a partner of the international law firm of Pillsbury Winthrop Shaw Pittman LLP. Mr. Barbarosh is a nationally recognized restructuring expert. He served in several leadership positions while a partner at Pillsbury including serving on the firm's board of directors, as the Chair of the 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 served as a member of the firm's Executive and Operating Committee from June 2012 through June 2016 and currently serves on the firm's board of directors. 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). Mr. Barbarosh is also a frequent speaker and author on restructuring and governance topics.

Mr. Barbarosh, as a practicing attorney specializing in the area of financial and operational restructuring and related mergers and acquisitions, provides our Board of Directors with experienced guidance on similar transactions involving our company.

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

Mr. Macaluso has had a career focused on operational assessment, strategic planning, crisis management and turnaround advisory services, most recently with Dorchester Capital. Dorchester Capital also has a significant commitment to representing the interests of investor groups as a member of the boards of directors at a diverse array of companies, and Mr. Macaluso brings with him a strong commitment to stockholders' interests. He also has extensive executive and financial expertise. In addition, Mr. Macaluso brings significant board expertise, including service as chairman of a number of public and private company boards and committees.

Director Robert Tobin will retire as a Class 2 director at the time of the Annual Meeting. Molly Hemmeter resigned on May 23, 2019 as a Class 2 director.

Class 1 Directors

Name of Director	Age	Principal Occupation	Director Since
Frederick Frank	87	Chairman, Evolution Life Sciences Partners	1999
Katrina L. Houde	61	Retired CEO, SunOpta, Inc.	2019
Nelson Obus	72	Managing Member of Wynnefield Capital Management, LLC	2018
Andrew Powell	61	Retired Executive Vice President and General Counsel, Medivation, Inc.	2018
Catherine A. Sohn, Pharma.D.....	66	Retired Senior Vice President, GlaxoSmithKline plc; Chairman, BioEclipse Therapeutics, Inc.	2012

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

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

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

Ms. Houde was elected to the Board of Directors on August 5, 2019. Ms. Houde is currently serving as an independent advisor to select food companies. Ms. Houde served as Interim CEO for SunOpta, Inc. on two occasions, for five months in 2016 and the first two months of 2019 and was instrumental in leading a major operational turnaround. Before and between her roles as Interim CEO of SunOpta, 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 currently serves on the board of directors at SunOpta, Inc.

Ms. Houde's extensive experience in the food industry will assist the Board of Directors and management in developing the strategic direction of our Curation Foods business.

Mr. 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 Global Power Equipment Group Inc. and 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 the arts degree from New York University and a Master of Arts in political science from Brandeis University.

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

Mr. Powell 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 has served on the board of directors of Aclaris Therapeutics, Inc., a dermatologist-led biopharmaceutical company, since 2017. He served as Senior Vice President, General Counsel and Corporate Secretary of Medivation, Inc. from May 2015 until November 2016, when the company was acquired by Pfizer, Inc. Mr. Powell served as Executive Vice President, General Counsel and Corporate Secretary of InterMune, Inc. from September 2013 to March 2015. From 2009 to 2013, he served as Executive Vice President, General Counsel and Secretary at Cornerstone Therapeutics, Inc. From 2008 to 2009, Mr. Powell served as Senior Vice President and General Counsel at ImClone Systems, Inc. From 2004 to 2008, he was General Counsel at Collagenex Pharmaceuticals, Inc. Earlier in his career, Mr. Powell held positions of increasing responsibility for nearly 15 years at the multi-national healthcare company Baxter International, Inc., where he was instrumental in a series of transactions that established Baxter throughout Asia. Mr. Powell holds a Bachelor of Arts degree from the University of North Carolina at Chapel Hill and a J.D. from Stanford Law School.

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

Dr. Sohn has served as a member of the Board of Directors since November 2012. Dr. Sohn is a pharmacist, global biopharmaceutical executive, Adjunct Professor and a Certified Licensing Professional. Sohn has deep industry knowledge with thirty years of U.S. and global experience in the pharmaceutical industry, and a reputation as a strategic thinker with the ability to drive a strong interface between research and development and marketing. She was named "Distinguishing Alumnus" by University of California San Francisco (2000), was named "Woman of the Year" by the Healthcare Businesswomen's Association (HBA) in 2003, has received the Licensing Executive Society's "Frank Barnes Mentoring Award" (2009), and the HBA Euro-Excellence Award (2012). In 2016, Dr. Sohn was recognized as one of the PharmaVoice 100 most inspiring people in the life science industry. Her areas of expertise include domestic and global business development, strategy and product marketing/launch execution across vaccines, pharmaceutical products and consumer healthcare brands, having led the launches of the U.S. Vaccine Business and a $1 billion CNS pharmaceutical product at SmithKline Beecham (now GlaxoSmithKline). From 1998 to 2010, Dr. Sohn was Senior Vice President for Worldwide Business Development for GlaxoSmithKline's $6 billion Consumer Healthcare division where she served on the Global Executive Committee and led numerous U.S., global, European and Japanese transactions and integrations. In the pharmaceutical division, from 1994 to 1998, she was Vice President, Worldwide Strategic Product Development at SmithKline Beecham for the Cardiovascular, Pulmonary, and Metabolic Therapeutic Areas with responsibility for product strategy, valuation and strategic commercial leadership of all assets from Phase 1 through the life cycle management. She has a strong technical background, having begun her career in anti-infective medical affairs at SmithKline & French in 1982. Dr. Sohn received a Doctor of Pharmacy degree from the University of California San Francisco (UCSF), a Certificate of Professional Development from The Wharton School at the University of Pennsylvania, is a Board Leadership Fellow of the National Association of Corporate Directors (NACD), and is a Certified Licensing Professional (CLP). In addition to serving on our Board of Directors, Dr. Sohn is an independent director on the boards of directors of Jazz Pharmaceuticals plc (JAZZ) and Rubius Therapeutics (RUBY), both public-traded life science companies, and chairman of the board of directors of Eclipse Therapeutics, Inc. and serves as Adjunct Professor at UCSF.

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

Steven Goldby retired on May 23, 2019 as a Class 1 director and as Chairman of the Board.

Board of Directors Meetings and Committees

The Board of Directors held a total of eleven meetings during the fiscal year 2019. Each director attended at least 75% of all Board and applicable committee meetings during fiscal year 2019. The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, each of which operates under a written charter approved by the Board of Directors. The charter for each of the committees is available on the Company's website (www,landec.com). The Board of Directors also has a Food Innovation Committee and a Lifecore Innovation Committee. It is our policy to encourage the members of the Board of Directors to attend the Company's annual meeting of stockholders. All members of the Board of Directors attended our 2018 Annual Meeting of Stockholders.

The Audit Committee currently consists of Ms. Pankopf (Chairperson), Dr. Sohn and Mr. Tobin. In the determination of the Board of Directors, each of Ms. Pankopf, Dr. Sohn,and Mr. Tobin meets the independence requirements of the SEC and The Nasdaq Stock Market, LLC ("***NASDAQ***"). The Audit Committee assists the Board of Directors in its oversight of Company affairs relating to the quality and integrity of the Company's financial statements, the qualifications and independence of the Company's independent registered public accounting firm, the performance of the Company's internal audit function and independent registered public accounting firm, and the Company's compliance with legal and regulatory requirements. The Audit Committee is responsible for appointing, compensating, retaining and overseeing the Company's independent registered public accounting firm, approving the services performed by the independent registered public accounting firm and reviewing and evaluating the Company's accounting principles and its system of internal accounting controls. Rules adopted by the SEC require us to disclose whether the Audit Committee includes at least one member who is an "audit committee financial expert," as that phrase is defined in SEC rules and regulations. The Board of Directors has determined that Ms. Pankopf is an "audit committee financial expert" within the meaning of applicable SEC rules. The Audit Committee held six meetings during fiscal year 2019. 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 Dr. Sohn (Chairperson), Ms. Carosella, Mr. Obus and Mr. Powell. In the determination of the Board of Directors, each of Dr. Sohn, Ms. Carosella, Mr. Obus, and Mr. Powell meets the current independence requirements of the SEC and NASDAQ. Prior to becoming President and CEO on May 23, 2019, Dr. Bolles served as a member of the Compensation Committee. The function of the Compensation Committee is to review and set the compensation of the Company's Chief Executive Officer and certain of the Company's most highly compensated officers, including salary, bonuses and other cash incentive awards, and other forms of compensation, to administer the Company's stock plans and approve stock equity awards, and to oversee the career development of senior management. The Compensation Committee held seven meetings during fiscal year 2019.

The Nominating and Corporate Governance Committee currently consists of Mr. Frank (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. Prior to becoming President and CEO on May 23, 2019, Dr. Bolles served as a member of the Nominating and Corporate Governance Committee. The functions of the Nominating and Corporate Governance Committee are to recommend qualified candidates for election as officers and directors of the Company and oversee the Company's corporate governance policies and to lead the annual self-evaluation of the Board of Directors. The Nominating and Corporate Governance Committee held two meetings during fiscal year 2019.

The Nominating and Corporate Governance Committee will consider director nominees proposed by current directors, officers, employees and stockholders. Any stockholder who wishes to recommend candidates for consideration by the Nominating and Corporate Governance Committee may do so by writing to the Secretary of the Company, Geoffrey P. Leonard of King & Spalding LLP, 101 Second Street, Suite 2300, San Francisco, CA 94105, and providing the candidate's name, biographical data and qualifications. The Company does not have a formal policy regarding the consideration of director candidates recommended by stockholders. The Company believes this is appropriate because the Nominating and Corporate Governance Committee evaluates any such nominees based on the same criteria as all other director nominees. In selecting candidates for the Board of Directors, the Nominating and Corporate Governance Committee strives for a variety of experience and background that adds depth and breadth to the overall character of the Board of Directors. The Nominating and Corporate Governance Committee evaluates potential candidates using standards and qualifications such as the candidates' business experience, independence, diversity, skills and expertise to collectively establish a number of areas of core competency of the Board of Directors, including business judgment, management and industry knowledge. Although the Nominating and Corporate Governance Committee does not have a formal policy on diversity, it believes that diversity is an important consideration in the composition of the Board of Directors, and it seeks to include Board members with diverse backgrounds and experiences. Further criteria include the candidates' integrity and values, as well as the willingness to devote sufficient time to attend meetings and participate effectively on the Board of Directors and its committees.

The Food Innovation Committee currently consists of Ms. Carosella, who in the determination of the Board of Directors, meets the current independence requirements of the SEC and NASDAQ. Prior to becoming President and CEO on May 23, 2019, Dr. Bolles served as the chairman of the Food Innovation Committee. The function of the Food Innovation Committee is to provide advice and make recommendations to the Board and to management with regard to food management, including new agricultural techniques, plant optimization strategies and new product development insights. The function of the Food Innovation Committee further entails making possible changes to current practices within the Company's food business and making recommendations concerning new areas for the Company to pursue. The Food Innovation Committee held one meeting during fiscal year 2019.

The Lifecore Innovation Committee currently consists of Dr. Sohn (chairperson), Mr. Frank, and Mr. Powell, each whom, in the determination of the Board of Directors, meets the current independence requirements of the SEC and NASDAQ. The function of the Lifecore Innovation Committee is to provide advice and make recommendations to the Board of Directors and to management with regard to biomaterials management, including new biomaterial techniques, plant/equipment optimization strategies and new product development insights. The Lifecore Innovation Committee also looks at making changes to current practices within the Company's biomaterials business and making recommendations concerning new areas for the Company to pursue. The Lifecore Innovation Committee held one meeting during fiscal year 2019.

Corporate Governance

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

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

- All members of the Board of Directors are independent other than Dr. Bolles;

- All members of the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, the Food Innovation Committee, and the Lifecore Innovation Committee are independent;

- The independent members of the Board of Directors meet at each board meeting, and at least twice per year, in executive sessions without the presence of management. The Board of Directors has designated Mr. Andrew Powell as non-executive Chairman of the Board, replacing Mr. Steven Goldby who retired on May 23, 2019, who, among other duties, is responsible for presiding over executive sessions of the independent directors and setting the agenda for each board meeting with the Chief Executive Officer and with input from the independent directors;

- The Company has an ethics hotline available to all employees, and the Audit Committee has procedures in place for the anonymous submission of employee complaints regarding accounting, internal controls, or auditing matters; and

- The Company has adopted a Code of Ethics that applies to all of its employees, including its principal executive officer and all members of its finance department, including the principal financial officer and principal accounting officer, as well as the Board of Directors. Any substantive amendments to the Code of Ethics or grant of any waiver, including any implicit waiver, from a provision of the Code of Ethics to the Company's principal executive officer, principal financial officer or principal accounting officer, will be disclosed either on the Company's website or in a report on Form 8-K.

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

Leadership Structure of the Board of Directors

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

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

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

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

Stockholder Communications

Our Board of Directors welcomes communications from our stockholders. Stockholders and other interested parties may send communications to the Board of Directors, or the independent directors as a group, or to any director in particular, including the Chairman, c/o Gregory S. Skinner, Chief Financial Officer, Landec Corporation, 5201 Great America Parkway, Suite 232, Santa Clara, CA 95054. Any correspondence addressed to the Board of Directors or to any one of our directors in care of Mr. Skinner will be promptly forwarded to the addressee. The independent directors review and approve the stockholder communication process periodically to ensure effective communication with stockholders.

Oversight of Risk Management

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

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

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

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

Compensation of Directors

The following table sets forth compensation information for the fiscal year 2019, for each member of our Board of Directors who was not an executive officer during fiscal year 2019. Dr. Bolles was elected President and CEO of Landec on May 23, 2019 and therefore his compensation as a non-employee director is listed in the Summary Compensation Table below.

Name	Fee Earned or Paid in Cash (1)	Stock Awards (2)	Other	Total
Deborah Carosella	$ 63,738	$ 60,000	$ —	$ 123,738
Frederick Frank	$ 63,958	$ 60,000	$ —	$ 123,958
Steven Goldby (3)	$ 84,167	$ 60,000	$ —	$ 144,167
Nelson Obus (4)	$ 35,000	$ 37,200	$ —	$ 72,200
Tonia Pankopf	$ 70,000	$ 60,000	$ —	$ 130,000
Andrew Powell (4)	$ 36,458	$ 37,200	$ —	$ 73,658
Catherine A. Sohn, Pharm.D.	$ 71,667	$ 60,000	$ —	$ 131,667
Robert Tobin	$ 57,083	$ 60,000	$ —	$ 117,083

(1) Includes amounts (if any) deferred pursuant to the Company's Nonqualified Deferred Compensation Plan, the terms of which are described under “Nonqualified Deferred Compensation Plan” below.

(2) The Company’s current compensation policy provides for each member of the Board of Directors to receive an annual restricted stock unit (“***RSU***”) award.

(3) Mr. Goldby retired on May 23, 2019.

(4) Mr. Obus and Mr. Powell were elected to the Board of Directors on October 12, 2018 and their cash fees and RSU grants are pro-rated from their election on October 12, 2018 through May 26, 2019.

As of May 26, 2019, the aggregate number of shares subject to outstanding restricted stock unit awards and option awards held by the members of the Board of Directors was: Ms. Carosella - 4,240 shares; Mr. Frank - 4,240 shares; Mr. Obus - 2,915 shares; Ms. Pankopf - 7,573 shares; Mr. Powell - 2,915 shares; Dr. Sohn - 14,240 shares; and Mr. Tobin - 4,240 shares.

The 2019 annual retainer fees paid to non-employee directors of the Company are detailed in the following table:

Annual Retainer for	Annual Retainer Fees paid
Non-employee Director	$ 45,000
Audit Committee	$ 10,000
Food Innovation Committee	$ 10,000
Lifecore Innovation Committee	$ 10,000
Compensation Committee	$ 7,500
Nominating and Corporate Governance Committee	$ 5,000

In addition to the annual committee retainer described above, for fiscal year 2019, the Company paid annual retainers to each of the chairs of the committee as shown below. In addition, the Chairman of the Board received a separate annual retainer equal to the amount indicated in the table below:

Annual Retainer for	Annual Retainer Fees paid
Chairman of the Board	$ 35,000
Audit Committee Chair	$ 10,000
Food Innovation Committee Chair	$ 10,000
Lifecore Innovation Committee Chair	$ 10,000
Compensation Committee Chair	$ 7,500
Nominating and Corporate Governance Chair	$ 5,000

Consistent with the general industry trend toward fixed-value RSU awards, each non-employee director received an annual RSU award with a fair market value of $60,000, based on the fair market value of the Company's Common Stock on the date of the grant, vesting on the first anniversary of the date of grant.

In addition to cash fees, each director is reimbursed for reasonable out-of-pocket expenses incurred by a director to attend Board 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 to such non-employee director. For purposes of the guidelines, the value of a share of Common Stock is measured as the greater of (i) the then current market price or (ii) the closing price of a share of Common Stock on the date when the stock was acquired, or the vesting date in the case of RSUs.

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

Required Vote

The election of each of the five (5) Class 2 director nominees requires the affirmative vote of the holders of a majority of the shares of the Company's Common Stock present at the Annual Meeting or by proxy and voted with respect to such director. A "WITHHOLD" vote is effectively a vote against a director. This means that in order for a director to be elected, the number of shares voted "FOR" a director must exceed the number of votes cast against that director.

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

Nominees for Class 2 Directors

Name of Director
Albert D. Bolles, Ph.D.
Deborah Carosella
Tonia Pankopf
Craig A. Barbarosh
Charles Macaluso

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed the firm of Ernst & Young LLP as the Company's independent registered public accounting firm to audit the financial statements of the Company for the fiscal year ending May 31, 2020, 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 26, 2019 and May 27, 2018.

Fee Category	Fiscal Year 2019	Fiscal Year 2018
Audit Fees	$ 1,973,000	$ 1,487,000
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total	$ 1,973,000	$ 1,487,000

Audit Fees were for professional services rendered for the integrated audit of the Company's annual financial statements and internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002, for the review of the Company's interim financial statements included in the Company's Quarterly Reports on Form 10-Q, and for assistance with and review of documents filed by the Company with the SEC.

Audit Committee Pre-Approval Policies

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

Required Vote

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

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING MAY 31, 2020.

PROPOSAL NO. 3

APPROVAL OF THE 2019 STOCK INCENTIVE PLAN

At the Annual Meeting, stockholders are being asked to approve the Landec Corporation 2019 Stock Incentive Plan (referred to in this proposal as the "***Plan***"). The Plan was approved by the Board of Directors on July 25, 2019, subject to the approval of the Company's stockholders. The Plan will become effective upon its approval by the stockholders at the Annual Meeting and will supersede the Company's 2013 Stock Incentive Plan; no further awards will be made under the 2013 Stock Incentive Plan on or after the effective date of the Plan. However, the Plan will not, in any way, affect outstanding awards previously granted under the 2013 Stock Incentive Plan or any other outstanding Company equity award plan.

Reasons for the Proposal

The Board of Directors and the Compensation Committee believe that equity incentives are necessary to remain competitive in the marketplace and align the interests of our employees with our stockholders. As of August 19, 2019, fewer than 70,000 shares of Company common stock remain available for grant under the 2013 Stock Incentive Plan; such number of shares is insufficient to achieve the Company's compensation objectives over the coming years.

The Company's stockholders are being asked to approve the Landec Corporation 2019 Stock Incentive Plan under which a total of 2,000,000 shares of Company common stock (individually, a "***Share***" and collectively, the "***Shares***") will be available for the issuance of future awards. If the Plan is not approved by stockholders and the 2013 Stock Incentive Plan remains in effect, the Company's ability to include equity compensation as part of our directors' and employees' total compensation package will be severely limited. We are requesting stockholder approval of the Plan (1) to be in accordance with the rules of NASDAQ, and (2) to enable the Company to grant stock options intended to qualify as incentive stock options ("***ISOs***") under Section 422 of the Internal Revenue Code of 1986, as amended (the "***Code***"). If stockholders do not approve this Proposal No. 3, no awards will be granted under the Plan and the 2013 Stock Incentive Plan will continue in effect in accordance with its terms.

Key Features of the Plan

The Plan contains a broad range of compensation and corporate governance best practices:

- ***Administered by an Independent Committee***. The Plan will be administered by the Compensation Committee, as further described below, and its authorized delegates. The Compensation Committee is composed entirely of independent directors who meet Nasdaq's and the Company's standards for independence.
- ***Limited Plan Life***. The Plan has a seven-year life span.
- ***No Liberal Share Recycling.*** The Plan is not subject to liberal share "recycling" provisions, meaning (among other things) that shares used to pay the exercise price of stock options, and shares tendered or withheld to satisfy tax withholding obligations with respect to an award, do not again become available for grant.
- ***No In-the-Money Option or Stock Appreciation Rights Grants.*** The Plan prohibits the grant of options or stock appreciation rights with an exercise price less than 100% of the fair market value of our common stock on the date of grant.
- ***No Repricing or Replacement of Options or Stock Appreciation Rights.*** Options and stock appreciation rights granted under the Plan may not be repriced, replaced or re-granted through cancellation or modification without stockholder approval if the effect would be to reduce the exercise price for the shares under the award.
- ***No "Reload" Stock Options.*** The Plan does not permit grants of stock options with a "reload" feature that would provide for additional stock options to be granted automatically to a participant upon the participant's exercise of previously-granted stock options.
- ***Minimum Vesting Requirements.*** No award granted under the Plan may vest prior to the first anniversary of the applicable grant date, subject to limited exceptions noted below.
- ***Director Grant Limit.*** No director in any fiscal year may be granted awards which have an aggregate fair value in excess of $120,000.
- ***No Dividend Payments on Unvested Awards.*** Dividends and dividend equivalents in respect of unvested awards are not paid unless and until such awards vest. Dividends or dividend equivalents are not payable with respect to options or Stock Appreciation Rights.

- ***No Increase to Shares Available for Issuance without Stockholder Approval.*** The Plan prohibits any increase in the total number of shares of common stock that may be issued under the Plan without stockholder approval, other than adjustments in connection with certain corporate reorganizations, changes in capitalization and other events, as described below.
- ***Claw-Back Provision***. The Compensation Committee may recover awards and payments under or gain in respect of awards to comply with Section 10D of the Securities Exchange Act of 1934.
- ***No Single-Trigger Accelerated Vesting; No Gross-Ups.*** Under the Plan, there is no single-trigger accelerated vesting in connection with a change in control where the awards are continued or the acquirer assumes the awards or grants substitute awards. Further, the Plan does not provide for excise tax gross-ups.

The following is a summary of the principal features of the Plan. This summary, however, does not purport to be a complete description of all of the provisions of the Plan. A copy of the Plan is attached as Appendix A to this Proxy Statement.

Share Reserve

Subject to adjustment as provided for below, the aggregate number of Shares that will be available for issuance under the Plan is 2,000,000 Shares, plus any shares that are represented by awards under the Company's 2013 Stock Incentive Plan or 2009 Stock Incentive Plan that are forfeited, expire or are cancelled without the delivery of Shares or which result in the forfeiture of Shares after the effective date of the Plan.

In determining the number of Shares available for issuance under the Plan, the Compensation Committee considered the potential dilution from outstanding and future potential equity awards ("overhang"). The 2,000,000 Share reserve is equal to approximately 7% of the Company's total outstanding Shares of common stock as of August 19, 2019. The Shares available under the Plan, together with the number of Shares underlying outstanding awards as of August 19, 2019 granted under all of the Company's equity award plans, would be equal to approximately 15% of the Company's total outstanding Shares.

Share Counting Rules

If awards under the Plan are forfeited or terminate before being exercised or becoming vested, or are paid out in cash rather than Shares, then the Shares underlying those awards will again become available under the Plan. Shares that are used by a participant to pay withholding taxes or as payment for the exercise price of an award shall cease to be available under the Plan. Shares that have been reacquired by the Company in the open market using the proceeds of amounts received upon the exercise of stock options shall not be available for issuance under the Plan. Stock appreciation rights that are settled in Shares will be counted in full against the number of Shares available for issuance under the Plan, regardless of the number of Shares issued upon settlement of the stock appreciation rights. Any dividend equivalents distributed as Share equivalents under the Plan will cease to be available under the Plan.

In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in Shares, a stock split or reverse stock split, a recapitalization, reorganization, merger, liquidation, spin-off, exchange of Shares or a similar occurrence, the Compensation Committee will, in its discretion, make appropriate adjustments to the number of Shares and kind of shares or securities issuable under the Plan (on both an aggregate and per-participant basis) and under each outstanding award. Appropriate adjustments will also be made to the exercise price of outstanding options and stock appreciation rights. Shares issued in connection with awards that are assumed, converted or substituted pursuant to a merger, acquisition or similar transaction will not reduce the number of Shares available for issuance under the Plan.

Administration

The Compensation Committee will administer the Plan and has complete discretion, subject to the provisions of the Plan, to authorize the grant of stock options, stock grants, stock units and stock appreciation rights awards under the Plan and to make all decisions relating to the operation of the Plan. The Committee may delegate the power to grant awards to one or more officers of the Company to the extent permitted by applicable law and may delegate ministerial tasks to employees or other persons as it deems appropriate.

Eligibility and Types of Awards Under the Plan

The Plan permits the granting of stock options, stock appreciation rights, stock units and stock grants. Employees (including executive officers and employee directors) and consultants of the Company, any parent, subsidiary or affiliate of the Company, and non-employee directors of the Company will be eligible to participate in the Plan. As of August 19, 2019, approximately 813 employees (including employee directors and executive officers), and 7 non-employee directors would have been eligible to participate in the Plan, if the Plan had been in effect as of that date. As of August 19, 2019, the closing price of our common stock on the Nasdaq Global Select market was $11.11 per share.

Options

The Compensation Committee may grant non-statutory stock options or incentive stock options (which may be entitled to favorable tax treatment) under the Plan. The number of Shares covered by each stock option granted to a participant will be determined by the Compensation Committee.

The stock option exercise price must be at least 100% of the fair market value of a Share on the date of grant (110% for incentive stock options granted to stockholders who own more than 10% of the total outstanding Shares of the Company, its parent or any of its subsidiaries). Each stock option award will be evidenced by a stock option agreement which will specify the date when all or any installment of the award is to become exercisable. The stock option agreement shall also specify the term of the option. A stock option agreement may provide for accelerated vesting in the event of the participant's death, disability, or other events. Notwithstanding any other provision of the Plan, no option can be exercised after the expiration date provided in the applicable stock option agreement. Except in connection with certain corporate transactions, repricing of stock options, cancelling options in exchange for options with an exercise price that is less than the exercise price of the original option, and cash buyouts of options by the Company at a time when the exercise price of the option exceeds the fair market value of the underlying shares are prohibited without stockholder approval. The exercise price of stock options must be paid at the time the Shares are purchased. Consistent with applicable laws, regulations and rules, payment of the exercise price of stock options may be made in cash (including by check, wire transfer or similar means) or, if specified in the stock option agreement, by cashless exercise, by surrendering or attesting to previously acquired Shares, or by any other legal consideration approved by the Compensation Committee.

Unless otherwise provided by the Compensation Committee, unvested stock options will generally expire upon termination of the participant's service and vested stock options will generally expire six months following such termination. The term of a stock option shall not exceed seven years from the date of grant (five years for incentive stock options granted to stockholders who own more than 10% of the total outstanding Shares of the Company, its parent or any of its subsidiaries).

Stock Grants

The Compensation Committee may grant awards of Shares under the Plan. Participants may or may not be required to pay cash consideration to the Company at the time of grant of such Shares. The number of Shares associated with each stock grant will be determined by the Compensation Committee, and each grant shall be subject to vesting conditions established by the Compensation Committee. Shares that are subject to such conditions are "restricted," i.e. subject to forfeiture if the performance goals and/or other conditions are not satisfied. When the restricted stock award conditions are satisfied, then the participant is vested in the Shares and has complete ownership of the Shares. A stock grant agreement may provide for accelerated vesting in the event of the participant's death, disability or other events. A holder of a stock grant under the Plan will have the same voting, dividend and other rights as the Company's other stockholders; provided, however, that no dividends payable will be paid until the holder's interest in the stock grant becomes vested, and further, the holder may be required to invest any cash dividends received in additional Shares.

Stock Units

The Compensation Committee may award stock units under the Plan. Participants are not required to pay any consideration to the Company at the time of grant of a stock unit. The number of Shares covered by each stock unit award will be determined by the Compensation Committee. A stock unit is a bookkeeping entry that represents a Share. A holder of stock units will have no voting rights, but may have a right to dividend equivalents, subject to applicable laws, which may be settled in cash, Shares or a combination of both; provided that no dividend equivalents will be paid until the holder's interest in the stock unit becomes vested. A stock unit is similar to restricted stock in that the Compensation Committee may establish performance goals and/or other conditions that must be satisfied before the participant can receive any benefit from the stock unit. When the participant satisfies the conditions of the stock unit award, the Company will pay the participant cash or Shares or any combination of both to settle the vested stock units. Settlement may be in the form of a lump sum or in installments, and may occur or commence when the vesting conditions are satisfied or may be deferred, subject to applicable laws, to a later date. Conversion of the stock units into cash may be based on the average of the fair market value of a Share over a series of trading days or on other methods. A stock unit agreement may provide for accelerated vesting in the event of the participant's death, disability or other events.

Stock Appreciation Rights

The Compensation Committee may grant stock appreciation rights under the Plan. The number of Shares covered by each stock appreciation right will be determined by the Compensation Committee. Upon exercise of a stock appreciation right, the participant will receive payment from the Company in an amount equal to (a) the excess of the fair market value of a Share on the date of exercise over the exercise price multiplied by (b) the number of Shares with respect to which the stock appreciation right is exercised.

The exercise price of a stock appreciation right may not be less than 100% of the fair market value of a Share on the date of grant. The stock appreciation right agreement will specify the date when all or any installment of the award is to become exercisable. A stock appreciation right agreement may provide for accelerated vesting in the event of the participant's death, disability or other events. Except in connection with certain corporate transactions, repricing of stock appreciation rights, cancelling stock appreciation rights in exchange for stock appreciation rights with an exercise price that is less than the exercise price of the original stock appreciation right, and cash buyouts of stock appreciation rights by the Company at a time when the exercise price of the stock appreciation right exceeds the fair market value of the underlying shares are prohibited without stockholder approval. Stock appreciation rights may be paid in cash or Shares or any combination of both, as determined by the Compensation Committee, in its sole discretion.

Unless otherwise provided by the Compensation Committee, unvested stock appreciation rights will generally expire upon termination of the participant's service and vested stock appreciation rights will generally expire six months following such termination. The terms of a stock appreciation right shall not exceed seven years from the date of grant.

Grant Limits

Under the Plan, the maximum amount of equity awards (calculated based on grant date fair value for financial reporting purposes) granted to a non-employee director during any fiscal year may not exceed $120,000.

Minimum Vesting Requirement

Any award that vests solely upon the satisfaction of service-based vesting conditions shall be subject to a minimum vesting period of not less than one year from the date the award is granted, and any award that vests based upon the satisfaction of performance conditions shall be subject to a performance period of not less than one year. However, the foregoing minimum vesting and performance periods shall not apply in connection with (a) a substitute award granted in connection with corporate transactions that do not reduce the vesting period of the award being replaced, or (b) awards made to non-employee directors who elect to receive awards in exchange for cash compensation to which they are otherwise entitled, or (c) awards which in aggregate cover a number of shares not to exceed five (5%) of the total number of shares of stock available for issuance under the Plan.

Transfer of Awards

Unless otherwise provided in the applicable award agreement, and then only to the extent permitted by applicable law, awards under the Plan may not be transferred by the holder thereof, other than by will or by the laws of descent and distribution.

Acceleration of Awards upon a Change in Control

In connection with a change in control in which awards are not assumed and/or replaced by the surviving entity, (i) outstanding awards which are subject solely to time-based vesting conditions will become fully vested and settled in cash, shares or a combination thereof, generally within thirty days following the change in control, and (ii) any outstanding awards which are subject to performance-based vesting conditions will be deemed to have satisfied all performance conditions at the greater of the target performance level or actual performance determined as of the date of the change in control (unless the Compensation Committee determines that measurement of actual performance cannot be reasonably assessed, in which case performance will be deemed achieved based on target performance) and settled in cash, shares or a combination thereof, generally within thirty days following the change in control.

In connection with a change in control in which awards are assumed and/or replaced by the surviving entity with a "replacement award" (as defined below), to the extent the participant's employment is involuntarily terminated by the Company without cause within two years following the change in control, then any such replacement award which is (i) a stock option or SAR will become fully vested and exercisable according to its terms and (ii) other awards will become fully vested and paid generally upon or within thirty days of the participant's termination. "Replacement award" means an award (a) of the same type (e.g., option, stock unit, etc.) as the replaced award (or a different type than the replaced award if the Committee finds such type acceptable), (b) that has a value at least equal to the value of the replaced award, (c) that relates to publicly traded equity securities of the Company or its successor following the change in control (or another entity that is affiliated with the Company or its successor following the change in control), and (d) that has other terms and conditions of which are not less favorable to the participant than the terms and conditions of the replaced award.

In connection with a change in control, the Committee may provide a cash payment in lieu of the right to exercise any stock option or SAR and may cause the payment of any other award to be made in cash instead of shares.

Restrictions

The Compensation Committee may cancel, rescind, withhold or otherwise limit or restrict any award at any time if the participant is not in compliance with the terms of the award agreement or the Plan, or the participant breaches any other agreement with the Company with respect to non-competition, non-solicitation or confidentiality. In addition, the Compensation Committee may recover awards and payments under or gain in respect of awards to the extent required to comply with any Company policy or Section 10D of the Securities Exchange Act of 1934 or any other applicable law or regulation.

Amendment and Termination

The Board of Directors may amend the Plan at any time and for any reason, provided that any such amendment will be subject to stockholder approval to the extent such approval is required by applicable laws, regulations or rules. The Board of Directors may terminate the Plan at any time and for any reason. The term of the Plan is seven years from the date of stockholder approval, unless earlier terminated by the Board of Directors. The termination or amendment of the Plan may not impair in any material respect any award previously made under the Plan.

New Incentive Plan Benefits

The future benefits or amounts that would be received under the Plan by executive officers, non-executive directors and non-executive officer employees are discretionary and are therefore not determinable at this time.

Federal Income Tax Consequences

The following is a brief summary of the U.S. federal income tax consequences applicable to awards granted under the Plan based on federal income tax laws in effect on the date of this Proxy Statement. This summary is not intended to be exhaustive and does not address all matters which may be relevant to a particular participant based on his or her specific circumstances. The summary expressly does not discuss the income tax laws of any state, municipality, or non-U.S. taxing jurisdiction, or the gift, estate, excise (including the rules applicable to deferred compensation under Section 409A of the Code), or other tax laws other than federal income tax law. The following is not intended or written to be used, and cannot be used, for the purposes of avoiding taxpayer penalties. Because individual circumstances may vary, the Company advises all participants to consult their own tax advisor concerning the tax implications of awards granted under the Plan.

A recipient of a stock option or stock appreciation right generally will not have taxable income upon the grant of the stock option or stock appreciation right. In general, upon the exercise of non-statutory stock options and stock appreciation rights, the participant will recognize ordinary income in an amount equal to the difference between the fair market value of the Shares on the date of exercise and the exercise price. Any gain or loss recognized upon any later disposition of the Shares generally will be a capital gain or loss.

In general, upon the exercise of an incentive stock option, a participant realizes no taxable income. However, the exercise of an incentive stock option may result in an alternative minimum tax liability to the participant. With some exceptions, a disposition of Shares purchased under an incentive stock option within two years from the date of grant or within one year after exercise produces ordinary income to the participant equal to the value of the Shares at the time of exercise less the exercise price. Any additional gain in excess of the amount recognized by the participant as ordinary income will be taxed as a capital gain. If the participant does not dispose of the Shares until after the expiration of these one and two-year holding periods, any gain or loss recognized upon a subsequent sale is treated as a long-term capital gain or loss.

For awards of restricted stock, the participant will not have taxable income upon the receipt of the award unless the participant properly elects to be taxed at the time of receipt of the restricted stock by making a Code Section 83(b) election. When the restricted stock vests, the participant will recognize ordinary income equal to the fair market value of the Shares at the time of vesting less the amount (if any) paid for such Shares.

A participant is not deemed to receive any taxable income at the time an award of stock units is granted. When vested stock units (and dividend equivalents, if any) are settled and distributed, the participant will recognize ordinary income equal to the amount of cash and/or the fair market value of Shares received less the amount (if any) paid for such stock units.

If the participant is an employee or former employee, the amount a participant recognizes as ordinary income in connection with any award is subject to withholding taxes (not applicable to incentive stock options) and the Company is generally allowed a tax deduction equal to the amount of ordinary income recognized by the participant.

A participant who defers the payout of an award or the delivery of proceeds payable upon an award exercise will recognize ordinary income at the time of payout in the same amounts as described above. If the participant receives Shares, any additional gain or loss recognized upon later disposition of the Shares is capital gain or loss. Any deferrals made under the Plan, including awards granted under the Plan that are considered to be deferred compensation, must satisfy the requirements of Section 409A of the Code to avoid adverse tax consequences to participating employees. If an award is subject to and fails to satisfy the requirements of Section 409A, the recipient of that award may recognize ordinary income on the amounts deferred under the award, to the extent vested, which may be prior to when the compensation is actually or constructively received. Also, if an award that is subject to Section 409A fails to comply with Section 409A's provisions, Section 409A imposes an additional 20 percent federal income tax on compensation recognized as ordinary income, as well as interest on such deferred compensation. In addition, certain states (such as California), have laws similar to Section 409A and as a result, failure to comply with such similar laws may result in additional state income, penalty and interest charges.

Under the Code, the vesting or accelerated exercisability of options or the vesting and payments of other awards in connection with a change of control of a corporation may be required to be valued and taken into account in determining whether participants have received compensatory payments, contingent on the change in control, in excess of certain limits. If these limits are exceeded, a substantial portion of amounts payable to the participant, including income recognized by reason of the grant, vesting or exercise of awards, may be subject to an additional 20% federal tax and may be non-deductible to the corporation.

Required Vote

The Plan must be approved by Shares representing a majority of the Shares present and entitled to vote on the proposal. Shares present and not voted, whether by broker non-vote, abstention or otherwise, will have the same effect as a vote against this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE PROPOSAL TO APPROVE THE 2019 STOCK INCENTIVE PLAN.

Proxy Statement

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes information with respect to options and other equity awards under the Company's equity compensation plans as of May 26, 2019:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (2)	Number of Securities Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (3)
Equity compensation plans approved by stockholders	2,428,523	$ 12.94	77,344

(1) Consists of stock options and restricted stock units outstanding under the Company's equity compensation plans, as no stock warrants or other rights were outstanding as of May 26, 2019.
(2) The weighted average exercise price does not take restricted stock units into account as restricted stock units have no purchase price.
(3) Represents shares remaining for issuance pursuant to the 2013 Stock Incentive Plan.

The 2013 Stock Incentive Plan

The 2013 Stock Incentive Plan (the "***2013 Plan***"), which was approved by stockholders, authorizes the grant of equity awards, including stock options, restricted stock and restricted stock units to employees, including officers and directors, outside consultants and non-employee directors of the Company. 2,000,000 shares were initially authorized to be issued under this plan. An additional 1,000,000 shares were added to the 2013 Plan upon stockholder approval in October 2017. The exercise price of stock options to be granted under the 2013 Plan will be the fair market value of the Company's Common Stock on the date the options are granted. Options to be granted under the 2013 Plan will generally be exercisable upon vesting and will generally vest ratably over three years. If the 2019 Stock Incentive Plan is approved by our stockholders, no further awards will be made under the 2013 Plan.

The 2009 Stock Incentive Plan

The 2009 Stock Incentive Plan (the "***2009 Plan***"), which was approved by stockholders and has been terminated, authorized the grant of equity awards, including stock options, restricted stock and restricted stock units to employees, including officers and directors, outside consultants and non-employee directors of the Company. 1,900,000 shares were authorized to be issued under this plan. The exercise price of stock options granted under the 2009 Plan was the fair market value of the Company's Common Stock on the date the options were granted. Options granted under the 2009 Plan were exercisable upon vesting and generally vested ratably over three years. No further awards will be made pursuant to the 2009 Plan.

PROPOSAL NO. 4

NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Compensation Discussion and Analysis within Executive Compensation and Related Information of this Proxy Statement describes the Company's executive compensation program and the compensation decisions that the Compensation Committee and Board of Directors made in fiscal year 2019 with respect to the compensation of our named executive officers. The Board of Directors is asking stockholders to cast a non-binding, advisory vote **FOR** the following resolution:

"RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED on an advisory basis."

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

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

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

At the 2018 annual meeting of stockholders, 98% of votes cast expressed support for our compensation policies and practices, and we believe our program continues to be effective.

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

AUDIT COMMITTEE REPORT

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

Composition

The Audit Committee of the Board of Directors consists of the three directors whose names appear below and operates under a written charter adopted by the Board of Directors. Each member of the Audit Committee meets the independence and financial experience requirements of NASDAQ and the SEC currently in effect. In addition, the Board of Directors has determined that Ms. Pankopf 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 six meetings during fiscal year 2019. 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 26, 2019 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 26, 2019 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 26, 2019, as filed with the SEC.

This report is submitted by the Audit Committee.

Tonia Pankopf (Chairperson)
Catherine A. Sohn, Pharm.D.
Robert Tobin

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 2019. Ages are as of August 19, 2019.

Dr. Albert Bolles (age 62) has been the Company's President and Chief Executive Officer since May 23, 2019. Prior to become the Company's President and CEO, Dr. Bolles was a member of the Board of Directors, the Chairman of the Food Innovation Committee and a member of the Compensation Committee and Nominating and Corporate Governance Committee. Dr. Bolles most recently served as Executive Vice President, Chief Technology & Operations Officer of 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 Foods and 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 PepsiCo Beverages and Foods, responsible for global R&D leadership for beverages (Pepsi, Gatorade, and Tropicana) and Quaker Foods including product, process, package and sensory R&D, Nutrition, Quality, and Scientific & Regulatory Affairs. His prior employment was with Gerber Foods for over 8 years with his last role being its R&D Director, overseeing infant and toddler global research and development. Dr. Bolles currently serves on the board of directors at SunOpta, Inc. and Arcadia Biosciences, Inc.

Gregory S. Skinner (age 58) has been Chief Financial Officer since November 1999 and Vice President of Finance Administration since November 2000 and Executive Vice President of Finance and Administration since May 2019. From May 1996 to October 1999, Mr. Skinner served as Controller of the Company. From 1994 to 1996, Mr. Skinner was Controller of DNA Plant Technology and from 1988 to 1994 he was with Litton Electron Devices. Prior to joining Litton Electron Devices, Mr. Skinner was with Litton Industries, Inc. and Arthur Andersen & Company.

James G. Hall (age 55) has been President of Lifecore and a Vice President of the Company since June 2017. At Lifecore, Mr. Hall served as Vice President and General Manager from July 2013 to June 2017, Vice President of Operations from 2006 to 2013; Director of Manufacturing Operations and Engineering from 2001 to 2006; and the Manager of Engineering and Operations from 1999 to 2001. From 1995 until joining Lifecore in 1999, Mr. Hall was Manager of Pre-Clinical and Clinical supply for Protein Design Labs, a biotechnology company focusing on humanizing monoclonal antibodies. Prior to joining Protein Design Labs in 1995, Mr. Hall held various engineering positions within Lifecore beginning in 1989. Mr. Hall has over 29 years of pharmaceutical and combination product manufacturing and development experience.

Brian F. McLaughlin (age 65) has been the Chief Financial Officer of Curation Foods (formerly Apio) since August 2015. Mr. McLaughlin was Chief Financial Officer for Organicgirl from 2010 until August 2015. Prior to that he was Chief Financial Officer for EuroFresh Farms from 2008 until 2009, and Chief Financial Officer for Driscoll's, Inc. from 2006 until 2007. From 1996 until 2006, Mr. McLaughlin served as Chief Financial Officer of Fresh Express, Inc. Prior to joining Fresh Express as Chief Financial Officer, Mr. McLaughlin spent 19 years in commercial banking, the majority of which was spent in corporate middle market and real estate development debt restructurings.

Parker Javid (age 50) has been Chief Customer & Sales Officer for Curation Foods, Inc. since May 2016 and Vice President of the Company since July 2018. Prior to joining the Company, Mr. Javid was the Vice President of Sales at Plum Organics, a division of Campbell Soup Company. Since joining the Company, Mr. Javid has been responsible for Sales Strategy, Sales and Operations Planning, Revenue Management, Customer Service and Logistics. Prior to that, Mr. Javid also held various positions in sales and supply chain at Henkel AG & Company in North America and globally.

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 19, 2019 as to (i) each person who is known by the Company to beneficially own more than five percent of any class of the Company's voting stock, (ii) each of the Company's directors, (iii) each of the executive officers named in the Summary Compensation Table of this proxy statement (the "***Named Executive Officers***"), and (iv) all directors and executive officers as a group. The business address of each director and executive officer named below is c/o Landec Corporation, 5201 Great America Parkway, Suite 232, Santa Clara, CA 95054.

	Shares Beneficially Owned (1)		
Name	Number of Shares of Common Stock		Percent of Total (2)
5% Stockholders			
NWQ Investment Management Company, LLC 2049 Century Park East, 16th Floor Los Angeles, CA 90067	3,421,966	(3)	11.74 %
Wynnefield Capital, Inc 450 Seventh Ave, #509 New York, NY 10123	2,795,300	(4)	9.59 %
Dimensional Fund Advisors, L.P. 6300 Bee Cave Road, Building One Austin, TX 78746	2,405,825	(5)	8.25 %
BlackRock, Inc 55 E. 52nd Street New York, NY 10055	1,884,319	(6)	6.47 %
The Vanguard Group, Inc. PO Box 2600, V26 Valley Forge, PA 19482	1,812,483	(7)	6.22 %
Russell Investments Group, Ltd. 1301 Second Avenue, 18th Floor Seattle, WA 98101	1,792,553	(8)	6.15 %
Franklin Mutual Advisors, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078	1,516,452	(9)	5.20 %
Executive Officers and Directors			
Albert D. Bolles, Ph.D. President and Chief Executive Officer	21,502		*
Molly A. Hemmeter Former President and Chief Executive Officer	702,383	(10)	2.37 %
Gregory S. Skinner Executive Vice President of Finance and Administration and Chief Financial Officer	383,665	(11)	1.31 %
James G. Hall President of Lifecore Biomedical, Inc. and Vice President of Landec	106,652	(12)	*
Brian F. McLaughlin Chief Financial Officer of Curation Foods, Inc.	70,950	(13)	*
Parker Javid Chief Sales and Customer Officer of Curation Foods, Inc. and Vice President of Landec	50,430	(14)	*

Name	Shares Beneficially Owned (1): Number of Shares of Common Stock		Percent of Total (2)
Deborah Carosella, Director	13,026		*
Frederick Frank, Director	60,024		*
Nelson Obus, Director	2,823,215	(15)	9.69 %
Tonia Pankopf, Director	36,037	(16)	*
Andrew Powell, Director	3,915		*
Catherine A. Sohn, Pharm.D., Director	39,331	(17)	*
Robert Tobin, Director	58,117		*
All directors and executive officers as a group (13 persons)	4,369,247	(18)	14.99 %

* Less than 1%

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

(2) As of August 19, 2019, 29,146,293 shares of Common Stock were issued and outstanding. Percentages are calculated with respect to a holder of options exercisable within 60 days after August 19, 2019 as if such holder had exercised his options. Options held by other holders are not included in the percentage calculation with respect to any other holder.

(3) This information is based on a Form 13F filed by NWQ Investment Management Company, LLC with the SEC showing such beneficial owner's holdings as of June 30, 2019.

(4) This information is based on a Form 13F filed by Wynnefield Capital, Inc with the SEC showing such beneficial owner's holdings as of June 30, 2019.

(5) This information is based on a Form 13F filed by Dimensional Fund Advisors LP with the SEC showing such beneficial owner's holdings as of June 30, 2019.

(6) This information is based on a Form 13F filed by ten institutions with the SEC: BlackRock Institutional Trust Company, N.A.; BlackRock Fund Advisors; BlackRock Advisors, LLC; BlackRock Investment Management, LLC; BlackRock (Netherlands) B.V.; Blackrock Financial Management, Inc; BlackRock Asset Management Canada Limited; Blackrock Asset Management Schweiz AG; Blackrock Asset Management Ireland Limited; BlackRock Investment Management (UK) Limited under the parent company BlackRock, Inc showing such beneficial owners' holdings as of June 30, 2019.

(7) This information is based on a Form 13F filed by The Vanguard Group, Inc. with the SEC showing such beneficial owner's holdings as of June 30, 2019.

(8) This information is based on a Form 13F filed by Russell Investments Group, Ltd. with the SEC showing such beneficial owner's holdings as of June 30, 2019.

(9) This information is based on a Form 13F filed by Franklin Resources, Inc. with the SEC on behalf of Franklin Mutual Advisors, LLC showing such beneficial owner's holdings as of June 30, 2019.

(10) This number includes 543,540 shares subject to outstanding stock options exercisable within 60 days after August 19, 2019.

(11) This number includes 95,629 shares subject to outstanding stock options exercisable within 60 days after August 19, 2019.

(12) This number includes 94,895 shares subject to outstanding stock options exercisable within 60 days after August 19, 2019.

(13) This number includes 70,950 shares subject to outstanding stock options exercisable within 60 days after August 19, 2019.

(14) This number includes 43,958 shares subject to outstanding stock options exercisable within 60 days after August 19, 2019.

(15) This number includes 2,795,300 shares reported on Form 13F filed by Wynnefield Capital, Inc. showing such beneficial owner's holdings as of June 30, 2019. Mr. Obus is a General Partner of Wynnefield Capital, Inc.

(16) This number includes 3,333 shares subject to outstanding stock options exercisable within 60 days after August 19, 2019.

(17) This number includes 10,000 shares subject to outstanding stock options exercisable within 60 days after August 19, 2019.

(18) This number includes an aggregate of 862,305 shares held by officers and directors that are subject to outstanding stock options exercisable within 60 days after August 19, 2019.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis ("CD&A") describes the philosophy, objectives and structure of our 2019 executive compensation program. This CD&A is intended to be read in conjunction with the tables which immediately follow this section, which provide further historical compensation information.

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

Dr. Albert Bolles[1]	President and Chief Executive Officer
Molly Hemmeter[1]	Former President and Chief Executive Officer
Gregory S. Skinner	Executive Vice President of Finance and Administration, and Chief Financial Officer
James G. Hall	Vice President of the Company and President of Lifecore
Brian McLaughlin	Chief Financial Officer of Curation Foods
Parker Javid	Vice President of the Company and Chief Customer & Sales Officer of Curation Foods

(1) Ms. Hemmeter resigned from her position at the Company in May 2019. On May 23, 2019, Dr. Albert Bolles, who had previously served as one of our independent directors, became our CEO.

CD&A Reference Guide

I. Executive Summary

Landec is going through a process of transformation, with a focus on actions that will drive and accelerate profitable growth going forward. While our overarching mission to develop and deliver innovative profitable products remains unchanged, we are in the process of honing our strategic plan to better accomplish these objectives. Under the guidance of our new President and Chief Executive Officer, Dr. Albert Bolles, we are continuing to grow our already profitable Lifecore business and are taking actions to simplify and streamline our Curation Foods business to drive profitable growth. These actions include five strategic pillars for profitable growth:

1) **Focus**: We will manage fewer, high-impact projects that will drive positive EBITDA growth
2) **Innovation**: We will demonstrate our commitment to the customer with on-trend plant-based food with 100% clean-ingredients from our core platforms: Eat Smart® salads and green beans, Cabo Fresh® and Yucatan® avocado products and O Olive Oil & Vinegar® premium artisan products
3) **Productivity**: We will deliver ongoing savings by creating a culture of trust, respect and continuous improvement by clarifying employee roles and building highly accountable, productive teams
4) **Operational Excellence**: We will implement an enterprise-wide operations management system to improve efficiencies throughout the supply chain and operations, with a network optimization, particularly with respect to Yucatan and Cabo Fresh operations in Mexico
5) **Sustainability**: We are a mission-based company, and will continue to institute and follow business practices that respect people and the planet as part of our everyday culture.

Landec had many noteworthy accomplishments in fiscal year 2019:

1) We demonstrated strong financial performance: revenues increased 6% to $557.6 million and gross profit increased 3% to $81.0 million compared to fiscal year 2018, and net income per share from continuing operations was $0.07, including the impact of non-recurring charges.

2) Lifecore delivered another year of strong performance with revenues increasing 16% and EBITDA growing 13% compared to fiscal year 2018. This growth was driven by an increase in demand for commercial production and the expansion of our pipeline of development projects.

3) Lifecore continues to expand its overall capabilities and capacity to support its growing CDMO and Hyaluronic (HA) business. The recent completion of a new multi-purpose filing line, dedicated quality control lab and expansion of the secondary packaging area all enhance Lifecore's ability to meet the ongoing demands of the business and expectations of customers while driving sustainable and profitable growth.

4) We completed the transformation of our food business from a packaged, fresh vegetables company to a higher-margin, natural foods business and changed its name to Curation Foods (formerly Apio).

Our compensation program has been structured by the Compensation Committee (the "Committee") of the Board of Directors to reward and incentivize executives to create long-term, sustainable stockholder value growth through a focus on corporate, business unit, and individual achievement. The performance metrics used, and the goals set, are reflective of our business strategy. Highlights of our fiscal year 2019 compensation program include:

- **Refined our performance-based long-term incentive program (LTIP)**
  Our new LTIP structure, introduced in 2017, is designed to deliver value to participants, aligned with our stockholders. For fiscal year 2019, LTIP awards were designed to be based upon the achievement of Earnings per Share ("EPS") goals for fiscal year 2021. Beginning in fiscal year 2019, we have shifted this program from a cash-based program to a restricted stock unit ("RSU")-based program, to better align with competitive market practices and to further strengthen the alignment between this program and the long-term interests of our stockholders.

- **Effective long-term incentive (LTI) compensation mix**
  The Committee has structured the LTI as 50% performance-based RSUs, 30% time-based RSUs and 20% stock options.

- **Continued use of a short-term incentive (STI) compensation metric**
  Our short-term incentive program is designed to focus our executives on the achievement of annual short-term objectives which we believe will drive the delivery of enhanced stockholder value over the long term. At Lifecore, 100% of the annual cash incentive award was based on achieving established targets for revenue and controllable income for the business. At Curation Foods, 80% of the annual cash incentive award was based on achieving established targets for revenues and controllable income for the business and 20% of the annual cash incentive award plan, was based on achieving pre-defined "cost-out" strategic goals for Curation Foods. The corporate performance in the annual cash incentive award plan was based on achieving established targets for revenues and controllable income for each business unit, achieving an expense budget target and achieving the Curation Foods "cost-out" goals.

- **Revised peer group for fiscal year 2019**
  We made changes to our peer group this year to better reflect the evolution and transformation of Landec's two businesses.

- **Continued strong stockholder support for our pay program**
  Once again, we have received very strong support (over 98%) for our say-on-pay proposal. Our Committee is proud of this achievement and believes it is reflective of the stockholders' support for our pay-for-performance philosophy and practice.

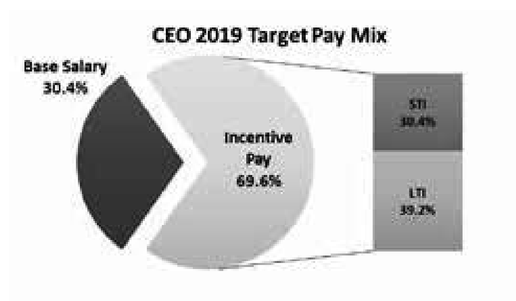
Components of Our Compensation Program

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

Base Salary	Base salaries are set to be competitive to the marketplace. Base salaries are not automatically adjusted annually but instead are adjusted when the Committee judges that a change is warranted due to changes in an executive officer's responsibilities, demonstrated performance or relevant market data.
Short-Term Incentives	The annual cash incentive award plan is based on achieving established targets for revenues and controllable income for each business unit. Corporate executives have financials goals based on both Curation Foods and Lifecore business unit goals, as well as a corporate goal associated with achieving our operating budget. In fiscal 2019, a portion of the annual cash incentive plan at Curation Foods was based on a "cost-out" strategic goal designed to focus employees on enhancing the profitability of that unit.
Long-Term Incentives	Long-term equity awards incentivize executives to deliver long-term stockholder value, while also providing a retention vehicle for our executives. The LTI mix is currently 50% performance-based RSUs, 30% time-based RSUs and 20% stock options.

2019 Target Total Compensation

To promote our pay-for-performance philosophy, and align the interests of management and stockholders, our 2019 executive compensation program focused extensively on variable compensation components. For example, target pay for our former CEO (Ms. Hemmeter) for fiscal year 2019 consisted of nearly 70% variable, or "at risk", incentive pay. This includes short-term cash incentives, as well as long-term incentives delivered as performance-based and time-based RSUs, and stock options.



Compensation Governance Practices

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

Best Practices We Employ
Long-term focus. The majority of our executive compensation is tied to long-term performance.
Equity Ownership Guidelines. We have robust equity ownership guidelines of 5x salary for our CEO and 3x salary for other executive officers.
Equity Holding Requirements. We have implemented holding requirements for executives wherein each executive must retain at least 50% of equity granted until minimum share ownership requirements are achieved.
Clawback Policy. We have implemented a strong recoupment, or "clawback" policy, to recover incentive compensation in the event of certain restatements of the financial results of the Company.
No Excessive Benefits. Other than participation in benefit plans offered to all of our employees, we offer no other benefits to our executive officers.
No Section 280G Gross-ups. None of our executive officers are entitled to a Section 280G gross-up.
Director Independence. The Committee is made up entirely of independent directors.
Independent Compensation Consultant. The Committee retains an independent compensation consultant to advise on our executive compensation programs and practices.
Risk Assessment. We conduct an annual risk assessment of the compensation program.

Say on Pay Voting Results

At the 2018 annual meeting of stockholders, our say-on-pay proposal received strong support, garnering support from 98% of shares cast. This is consistent with the voting results of 2017 and 2016, which had support levels of 96% and 98.4%, respectively. The Company is pleased with these results and believes that stockholders have confirmed our executive compensation philosophy, policies and programs. The Committee took these results into account by continuing to emphasize our pay-for-performance philosophy which utilizes performance measures that provide incentives to deliver value to our stockholders.

II. Compensation Philosophy and Objectives

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

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

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

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

III. Establishing Executive Compensation

Landec's executive compensation program is overseen and administered by the Committee, which is comprised entirely of independent directors as determined in accordance with applicable NASDAQ, SEC and Internal Revenue Code of 1986 (the "***Code***") rules. The Committee operates under a written charter adopted by our Board of Directors. A copy of the Committee's charter is available at www.landec.com.

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

The Committee meets regularly to review overall executive compensation. The Committee also meets with Landec's President and Chief Executive Officer and other executives to obtain recommendations with respect to Company compensation programs, practices and packages for executives and other employees. The Chief Executive Officer makes recommendations to the Committee on the base salary, bonus targets and equity compensation for the executive team and other employees, but not for herself or himself. The Committee, however, has the ultimate responsibility for determining executive compensation, which is recommended to the Board of Directors for its final approval.

Role of the Compensation Consultant

For fiscal year 2019, the Committee retained Radford Consulting, an Aon company, to provide consulting services to the Committee, including advice on compensation philosophy, incentive plan design, executive compensation analysis, and CD&A disclosure, among other compensation topics. Radford provides no services to the Company other than consulting services provided to the Committee.

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

IV. Compensation Competitive Analysis

Our Committee uses peer group information to provide context for its compensation decision-making for our executive officers. The Committee monitors the peer group to assess its appropriateness as a source of competitive compensation data and reassesses the relevance of the peer group as needed. In an effort to more accurately reflect the significant portion of the Company's business attributable to Curation Food's operations, the peer group has been adjusted and simplified over the years, to allow for comparisons on how these peers address the volatility and unpredictability of financial results as well as to assess competitive pay levels in the food and life sciences industries.

Fiscal Year 2019 Peers

To assist in determining compensation for fiscal year 2019, Radford helped the Committee to identify companies similar to Landec with respect to sector, market capitalization and revenue to provide a broad perspective on competitive pay levels and practices.

- **Sector:** Healthcare, consumer staples, contract development and manufacturing organizations, and excluding companies within the chemical industry.
- **Revenue:** Revenue between $250 million and $1.3 billion, which is 0.5x to 2.5x of Landec's fiscal year 2019 revenue.
- **Market Capitalization**: Range between $100 million and $1 billion, which is 0.3x to 3x of Landec's fiscal year 2019 market capitalization.

Using these criteria, the following 14 companies were determined to comprise the Company's 2019 peer group:

Calavo Growers	The Simply Good Foods Company
Farmer Bros.	Anika Therapeutics
J&J Snack Foods	CryoLife
John B. Sanfilippo & Son	Lantheus
Lancaster Colony	Medpace
Limoneira Company	Surmodics
Seneca Foods	SunOpta

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

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

V. Elements of Compensation

As outlined above, there are three major elements that comprise Landec's compensation program: (i) base salary; (ii) annual cash incentive opportunities; and (iii) long-term incentives, in the form of stock options and/or RSU awards, as well as long-term, performance-based 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. In determining base salary, the Committee also considers factors such as:

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

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

In fiscal years 2019 and 2018, annual base salaries for our named executive officers were as follows:

Name	FY 2019	FY 2018	% Change
Albert D. Bolles, Ph. D. (1)	$ 620,000	$ —	n/a
Molly A. Hemmeter	$ 525,000	$ 525,000	0.0 %
Gregory S. Skinner	$ 380,000	$ 380,000	0.0 %
James G. Hall	$ 293,600	$ 285,000	3.0 %
Brian F. McLaughlin (1)	$ 285,000	$ —	n/a
Parker Javid (1)	$ 283,000	$ —	n/a

(1) - Dr. Bolles, Mr. McLaughlin and Mr. Javid became NEOs in fiscal year 2019.

Annual Cash Incentive Award Plan

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

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

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

Fiscal Year 2019 Cash Incentive Award Plan

At the beginning of fiscal year 2019, the Committee approved the 2019 Cash Incentive Award Plan for the year which included financial objectives for each business unit and at the corporate level on a consolidated basis. The financial objectives were based on the internally-developed financial plan for the fiscal year. The 2019 Cash Incentive Award Plan was based on established targets for revenues and controllable income for each business unit. For executives at Curation Foods, 80% of the target opportunity was based on achieving revenue and controllable income targets for Curation Foods, while 20% was based on pre-determined "cost-out" goals which were aligned with our objective of driving profitability within that unit. For executives at Lifecore, the target opportunity was based entirely on achieving revenue and controllable income targets for Lifecore. At the corporate level, 80% of the target opportunity was based on achievement of revenue and controllable income goals by the business units (45% on Curation Foods and 45% on Lifecore) and 10% of the 80% was also based upon the achievement of consolidated corporate expense budget goals. The other 20% was based on the achievement of the cost out goals at Curation Foods.

For fiscal year 2019, the target cash incentive award was 100% of base salary for Ms. Hemmeter, and the other Named Executive Officers' target incentive awards ranged from 40% to 60% of their base salary.

Given the timing of Dr. Bolles' election as President and Chief Executive Officer in the last week of fiscal 2019, he did not participate in the fiscal year 2019 Annual Cash Incentive Plan but will have a cash incentive bonus target of 100% of his base salary in fiscal year 2020.

Performance Goals

In fiscal year 2019, performance measures were broken into two categories:

Financial goals: target revenues, controllable income and expense budget

Strategic goals: "Cost-out" goals at Curation Foods

For Lifecore executives, financial goals are based on a matrix of revenues and controllable income goals for the Lifecore business. Likewise, for Curation Foods executives, financial goals are based on a matrix of revenues and controllable income goals for the Curation Foods business.

For corporate executives, financial goals were split as follows:

- (45%) based on the Lifecore matrix of revenue and controllable income goals
- (45%) based on the Curation Foods matrix of revenue and controllable income goals
- (10%) based on achievement of fiscal year 2019 expense budget

For each executive, 2019 performance goal weightings were as follows:

	"Cost-Out Goals" (20%)	Financial Goals (80%)		
		Corporate	Lifecore	Curation
Molly A. Hemmeter	20%	8%	36%	36%
Gregory S. Skinner	20%	8%	36%	36%
James G. Hall	—%		100%	
Brian F. McLaughlin	20%			80%
Parker Javid	20%			80%

The following table highlights the target financial goals for each business as well as the actual financial performance in the past fiscal year. For each financial goal, threshold and maximum achievement are set at 80% and 130% of the target, respectively, with 5% increments in between.

Business Line	Metric	Target	Actuals
Lifecore	Revenue	$76.0 M	$75.9 M
	Controllable Income	$19.7 M	$20.0 M
Curation Foods	Revenue	$492.5 M	$481.7 M
	Controllable Income	$14.0 M	$2.0 M

Fiscal Year 2019 Earned Incentives

Based on the metrics and actual performance described above, the Named Executive Officers' target incentive awards and actual amounts earned for fiscal year 2019 were as follows:

Name	Target as % of Base Salary	Target ($)	Actual Earned 2019 Incentive Award ($)
Molly A. Hemmeter	100%	$ 525,000	$ 366,253
Gregory S. Skinner	60%	$ 228,000	$ 159,058
James G. Hall	50%	$ 146,800	$ 152,478
Brian F. McLaughlin	40%	$ 114,000	$ 26,129
Parker Javid	40%	$ 113,200	$ 25,968

Long-Term Incentive Compensation

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

Award Types

Awards to eligible employees, including Named Executive Officers, are generally made on an annual basis. Equity-based awards typically take the form of stock options and RSUs. The RSUs typically vest on the third anniversary of the grant date and the stock options typically vest monthly over the 36 months following the grant date, other than an employee's initial stock option award which provides that one-third vests on the first anniversary of the grant date and then 1/36th per month thereafter. We also grant performance-based RSUs under the LTIP.

Landec grants stock options because they can be an effective tool for meeting Landec's compensation goal of increasing long-term stockholder value. Employees are able to profit from stock options only if Landec's stock price increases in value over the stock option's exercise price. Landec grants RSUs because they provide a more predictable value to employees than stock options, and therefore are efficient tools in retaining and motivating employees, while also serving as an incentive to increase the value of Landec's stock. RSUs also can be a more efficient means of using equity plan share reserves because fewer RSUs are needed to provide a retention and incentive value as compared to awards of stock options. Finally, fiscal year 2019 performance-based RSUs provide an incentive vehicle directly linked to reaching or exceeding Earnings per Share ("EPS") goals.

Equity Grants in Fiscal Year 2019

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 2019, the Committee granted time-based equity awards to our executive officers in the form of stock options and RSUs. The RSUs will vest on the third anniversary of the grant date and the stock options will vest monthly over the 36 months following the grant date.

Name	Stock Options (#)	RSUs (#)
Albert D. Bolles, Ph.D. (1)	162,000	55,000
Molly A. Hemmeter	42,500	14,167
Gregory S. Skinner	18,550	6,183
James G. Hall	16,875	12,625
Brian F. McLaughlin	42,089	—
Parker Javid	11,250	3,750

(1) Reflects award made to Dr. Bolles upon his election as President and Chief Executive Officer.

Additionally, certain executive officers, including Molly Hemmeter, Gregory Skinner and James Hall received performance-based RSUs based on the Company's earnings per share ("EPS") for fiscal year 2021. These performance-based RSUs will be settled in shares of common stock of the Company based upon the Company's actual EPS for fiscal year 2021 meeting or exceeding the specified target EPS. Given that he was not elected as President and Chief Executive Officer until the last week of fiscal year 2019, Dr. Bolles did not receive any performance-based RSUs in fiscal year 2019. Dr. Bolles is entitled to receive performance-based RSUs in fiscal year 2020 at such time as the Board of Directors approves the Long Term Incentive Plan for fiscal year 2020.

Executives may receive between 50% and 150% of their individual target amount of RSUs. The following grants of performance-based RSUs were granted to our named executive officers in fiscal year 2019:

Name	Performance-based RSUs (#)
Albert D. Bolles, Ph. D.	—
Molly A. Hemmeter	22,794
Gregory S. Skinner	9,930
James G. Hall	9,045
Brian F. McLaughlin	—
Parker Javid	3,631

The Company believes that disclosure of our pre-determined Target EPS for fiscal year 2021, which is based on our five-year strategic plan, would cause the Company substantial competitive harm. However, the payout scale will be as follows:

Actual EPS as a % of Target EPS	% of Individual Target Amount Paid
150% and above	150%
115%	115%
100%	100%
90%	75%
80%	50%
less than 80%	0%

VI. Additional Compensation Policies and Practices

Clawback Policy

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

Transactions in Company Securities

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

Executive Stock Ownership Requirements

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

Position	Requirement
Chief Executive Officer	5x base salary
Other executive officers	3x base salary
Non-executive directors	3x annual retainer

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

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

Nonqualified Deferred Compensation Plan

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

A participating employee may elect to receive distributions from his or her account beginning in a specified payment year no sooner than three years after the calendar year to which the deferred compensation relates, to be paid in a lump sum or in annual installments not to exceed ten years, according to the participating employee's election. This election is made at the time when the participating employee makes an election to defer compensation. The participating employee may subsequently elect to delay the year in which deferred compensation is paid, provided that such election must be made at least 12 months before the year in which payment was previously scheduled to occur, must specify a new payment year that is at least five years after the year in which payment was to be made and will not take effect for 12 months. A participating employee will also receive distributions upon the occurrence of certain events specified in Deferral Plan, including termination of employment.

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

401(k) Plan and Other Generally Available Benefit Programs

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

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

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

Employment Agreements

Chief Executive Officer

On May 23, 2019, the Company entered into an executive employment agreement with Dr. Bolles setting forth the terms of his employment. This agreement expires on May 29, 2022 unless renewed or extended by both parties and provides that Dr. Bolles shall be paid an annual base salary of $620,000 and will participate in the annual Cash Incentive Award Plan and the LTIP. At the time of hire on May 23, 2019, Dr. Bolles was granted an option to purchase 162,000 shares of Common Stock and 55,000 RSUs. Dr. Bolles is also eligible for grants of equity-based awards at such times and in such amounts as determined by the Committee. See the section entitled "Employment Contracts and Potential Payments upon Termination or Change in Control" for a further discussion of the terms of this Agreement.

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

Chief Financial Officer

On January 31, 2019, the Company entered into a new executive employment agreement with Mr. Skinner setting forth the terms of his employment. This agreement expires on December 31, 2021 unless renewed or extended by both parties and provides that Mr. Skinner shall be paid an annual base salary of $380,000 (which was increased to $418,000 effective at the beginning of fiscal year 2020) and will continue to participate in the annual Cash Incentive Award Plan and the LTIP. Mr. Skinner is also eligible for grants of equity-based awards at such times and in such amounts as determined by the Committee. See the section entitled "Employment Contracts and Potential Payments upon Termination or Change in Control" for a further discussion of the terms of this Agreement.

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

Compliance with Internal Revenue Code Section 162(m)

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

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

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

Compensation Committee Interlocks and Insider Participation

The Committee is composed of Dr. Sohn (Chairperson), Ms. Carosella, Mr. Obus and Mr. Powell; before his election as President and Chief Executive Officer, Dr. Bolles also served as a member of the Committee. During fiscal year 2019, none of the Company's executive officers served on the board of directors of any entities whose directors or officers serve on the Committee. None of the Committee's current members has at any time been an officer or employee of Landec. None of Landec's executive officers currently serve, or in the past fiscal year have served, as members of the board of directors or compensation committee of any entity that has one or more of its executive officers serving on Landec's Board of Directors or the Committee.

COMPENSATION COMMITTEE REPORT

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

The Committee has reviewed and discussed with management the Compensation Discussion and Analysis for fiscal year 2019. Based on the review and discussions, the Committee recommended to the Board of Directors, and the Board of Directors has approved, that the Compensation Discussion and Analysis be included in Landec's Proxy Statement for its 2019 Annual Meeting of Stockholders and incorporated into our Annual Report on Form 10-K for the fiscal year ended May 26, 2019.

This report is submitted by the Committee:

Catherine A. Sohn, Pharm. D. (Chairperson)
Deborah Carosella
Nelson Obus
Andrew Powell

EXECUTIVE COMPENSATION AND RELATED INFORMATION

Summary Compensation

The following table shows compensation information for fiscal years 2019, 2018 and 2017 for the Named Executive Officers.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Stock Awards ($) (1)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation ($)(3)(4)	All Other Compensation ($) (4)	Total ($)
Albert D. Bolles, PhD. (5)	2019	4,769	574,246	348,451	—	77,500	1,004,966
President and Chief Executive Officer							
Molly A. Hemmeter (6)	2019	525,000	124,242	85,146	366,253	655,464	1,756,105
Former President and Chief	2018	525,000	189,750	128,086	436,201	13,662	1,292,699
Executive Officer	2017	475,000	1,221,703	337,256	331,088	19,896	2,384,943
Gregory S. Skinner	2019	380,000	231,222	63,711	159,058	11,960	845,951
Executive Vice President	2018	380,000	88,550	59,773	189,436	11,175	728,934
of Finance and Administration and Chief Financial Officer	2017	380,000	245,999	—	158,922	10,975	795,896
James G. Hall	2019	293,600	310,965	57,958	148,200	13,746	824,469
President of Lifecore and	2018	285,000	350,000	232,245	146,838	14,331	1,028,414
Vice President of Landec							
Brian F. McLaughlin	2019	285,000	—	131,458	26,129	40,398	482,986
Chief Financial Officer of Curation Foods, Inc.							
Parker Javid	2019	283,000	100,144	38,639	25,968	12,940	460,691
Chief Sales and Customer Officer of Curation Foods, Inc. and Vice President of Landec							

(1) Amounts shown do not reflect compensation actually received by the Named Executive Officer. Instead, the amounts shown are the aggregate grant date fair value of RSUs granted during fiscal year 2019 computed for financial statement reporting purposes in accordance with ASC 718. The assumptions used to calculate the value of the RSU awards are set forth under Note 1 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 26, 2019. In accordance with SEC rules, these amounts exclude estimates of forfeitures in the case of awards with service-based vesting conditions.

(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 2019 computed for financial statement reporting purposes in accordance with ASC 718. The assumptions used to calculate the value of stock option awards are set forth under Note 1 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 26, 2019. In accordance with SEC rules, these amounts exclude estimates of forfeitures in the case of awards with service-based vesting conditions.

(3) Amounts consist of bonuses earned for meeting and/or exceeding financial performance targets in fiscal years 2019, 2018 and 2017 under the Company's annual Cash Incentive Award Plans. The bonus earned by Mr. Skinner in fiscal year 2019 was deferred by him pursuant to the Deferral Plan.

(4) Amounts consist of Company-paid life insurance and an employer 401(k) match for all Named Executive Officers. The amount shown for Mr. Hall also include Company-paid disability insurance for which Mr. Hall is the beneficiary. The amounts shown for Mr. McLaughlin also include temporary housing allowance. The amounts shown for Ms. Hemmeter also include \$525,000 in severance pay and \$46,000 in COBRA and health insurance benefits.

(5) Dr. Bolles became President and Chief Executive Officer of the Company on May 23, 2019. His annual base salary is \$620,000, but only \$4,769 was paid to him in fiscal year 2019. In addition, Dr. Bolles received \$60,000 in RSUs and \$77,500 in cash compensation for his services as a non-employee director in fiscal year 2019, which are included in "Stock Awards" and "All Other Compensation", respectively.

(6) On May 23, 2019, Ms. Hemmeter resigned from her position as President and CEO. As a result of the termination of her employment, Ms. Hemmeter received certain severance benefits, the details of which have been provided under the heading "Former Chief Executive Officer" below.

Grants of Plan-Based Awards

The following table shows all plan-based awards granted to the Named Executive Officers during fiscal year 2019. 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 2019 Year-End" table on the following page.

Grants of Plan-Based Awards

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)						
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**All Other Stock Awards: Number of Shares Stock or Units (#) (2)**	**All Other Option Awards: Number of Securities Underlying Options (#)**	**Exercise or Base Price of Option Awards ($/share)**	**Grant Date Fair Value of Stock and Option Awards ($) (3)**
Albert D. Bolles, Ph.D. .		—	—	N/A	—	—	—	—
	5/23/2019				55,000	—	—	514,250
	5/23/2019				—	162,000	9.35	348,451
	5/30/2018				4,240	—	—	59,996
Molly A. Hemmeter		—	525,000	N/A	—	—	—	—
	7/25/2018				8,658	—	—	124,242
	7/25/2018				—	24,791	14.35	85,146
Gregory S. Skinner........		—	228,000	N/A	—	—	—	—
	7/25/2018				6,183	—	—	88,726
	7/25/2018				9,930	—	—	142,496
	7/25/2018				—	18,550	14.35	63,711
James G. Hall.................		—	146,800	N/A	—	—	—	—
	7/25/2018				12,625	—	—	181,169
	7/25/2018				9,045			129,796
	7/25/2018				—	16,875	14.35	57,958
Brian F. McLaughlin.....		—	114,000	N/A	—	—	—	—
	1/30/2019				—	30,839	12.76	92,819
	7/25/2018				—	11,250	14.35	38,639
Parker Javid		—	113,200	N/A	—	—	—	—
	7/25/2018				3,631			46,332
	7/25/2018				3,750	—	—	53,813
	7/25/2018				—	11,250	14.35	38,639

(1) Amounts shown are estimated payouts for fiscal year 2019 to the Named Executive Officers under the 2019 Cash Incentive Award Plan. The target amount is based on a percentage of the individual's fiscal year 2019 base salary. All executives received a cash incentive award for fiscal year 2019. For more information on these awards, including the amount actually paid, see "Compensation Discussion and Analysis-Annual Cash Incentive Award Plan."

(2) The 9,930 RSUs and 9,045 RSUs granted to Messrs. Skinner and Hall, respectively, on July 25, 2018 are performance-based RSUs, and the target amounts and maximum amounts for these awards are set forth above in Section V of the CD&A.

(3) The value of a stock award or option award is based on the fair value as of the grant date of such award determined pursuant to ASC 718. Stock awards consist only of RSUs. The exercise price for all options granted to the Named Executive Officers is 100% of the fair market value of the Common Stock on the grant date. The option exercise price has not been deducted from the amounts indicated above. Regardless of the value placed on a stock option on the grant date, the actual value of the option will depend on the market value of the Common Stock at such date in the future when the option is exercised. All options vest at the rate of 1/36th per month and therefore all options are fully vested three years after the date of grant. RSUs typically vest on the third anniversary of the date of grant.

Equity Awards

The following table shows all outstanding equity awards held by the Named Executive Officers at the end of fiscal year 2019. The awards for fiscal year 2019 identified in the table below are also reported in the "Grants of Plan-Based Awards" table.

Outstanding Equity Awards at Fiscal 2019 Year End

		Option Awards				Stock Awards	
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable (#) (1)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (2)	Market Value of Shares Or Units of Stock That Have Not Vested ($) (3)
Albert D. Bolles, Ph.D..	5/23/2019	—	162,000	9.35	5/23/2026	59,240	558,041
Molly A. Hemmeter......	7/25/2018	24,791	—	14.35	11/19/2019	—	—
	10/19/2017	38,749	—	12.65	11/19/2019	—	—
	7/21/2016	150,000	—	11.35	11/19/2019	—	—
	5/28/2015	300,000	—	14.39	11/19/2019	—	—
	6/7/2013	30,000	—	14.30	11/19/2019	—	—
Gregory S. Skinner	7/25/2018	5,152	13,398	14.35	7/25/2025	16,113	151,784
	10/19/2017	11,083	9,917	12.65	10/19/2024	7,000	65,940
	5/28/2015	45,000	—	14.39	5/28/2022	—	—
	6/7/2013	30,000	—	14.30	6/7/2020	—	—
James G. Hall	7/25/2018	4,687	12,188	14.35	7/25/2025	14,670	138,191
	6/1/2017	47,916	27,084	14.00	6/1/2024	25,000	235,500
	5/25/2016	15,000	—	11.36	5/25/2023	—	—
	5/28/2015	15,000	—	14.39	5/28/2022	—	—
Brian F. McLaughlin	1/30/2019	8,566	22,273	12.76	1/30/2026	—	—
	7/25/2018	3,125	8,125	14.35	7/25/2025	—	—
	10/19/2017	7,916	7,084	12.65	10/19/2024	5,000	47,100
	5/25/2016	15,000	—	11.36	5/25/2023	—	—
	10/15/2015	30,000	—	12.78	10/15/2022	—	—
Parker Javid	1/30/2019	—	—	—	—	3,631	34,204
	7/25/2018	3,125	8,125	14.35	7/25/2025	3,750	35,325
	10/19/2017	7,916	7,084	12.65	10/19/2024	5,000	47,100
	5/25/2016	30,000	—	11.36	5/25/2023	—	—

(1) All options vest at the rate of 1/36 per month over a three-year period from date of grant, other than the option for 300,000 shares granted to Molly Hemmeter on May 28, 2015 and the option for 162,000 shares granted to Albert D. Bolles, Ph.D., which vest at the rate of 1/3 on first anniversary of the date of grant and then 1/36 monthly thereafter. Ms. Hemmeter resigned from her position at the Company in May 2019. As a result of her termination of employment with the Company, Ms. Hemmeter received certain severance benefits including the acceleration of vesting of certain RSUs and options previously granted, the details of which are provided under the heading "Former Chief Executive Officer" below.

(2) The RSUs typically vest on the third anniversary of the date of grant.

(3) Value is based on the closing price of the Common Stock of $9.42 on May 26, 2019 as reported on the Nasdaq Global Select Market.

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 2019.

Proxy Statement

Option Exercises and Stock Vested For Fiscal 2019

	Option Awards			Stock Awards		
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($) (1)**	**Number of shares withheld to cover exercise price and taxes (#) (2)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**	**Number of shares withheld to cover taxes (#) (2)**
Albert D. Bolles, Ph.D.	—	—	—	—	—	—
Molly A. Hemmeter	—	—	—	50,000	467,500	17,290
	—	—	—	50,000	702,500	24,790
	—	—	—	23,703	334,449	11,751
	—	—	—	12,917	120,774	4,466
	—	—	—	8,658	80,952	2,993
Gregory S. Skinner	—	—	—	8,913	125,762	—
James G. Hall	—	—	—	7,000	67,620	2,207
	—	—	—	5,000	47,100	1,511
Brian F. McLaughlin	—	—	—	10,000	130,300	3,458
	—	—	—	5,000	47,100	1,837
	—	—	—	3,775	53,265	1,305
Parker Javid	—	—	—	10,000	94,200	3,528

(1) The value realized equals the difference between the option exercise price and the fair market value of the Common Stock on the date of exercise, multiplied by the number of shares for which the option was exercised.
(2) Indicates shares withheld at the election of the Named Executive Officer to cover the exercise price and/or the taxes owed on the exercise of the option or the vesting of the stock award.

Nonqualified Deferred Compensation

The following table shows all compensation deferred by the Named Executive Officers, and earnings on such deferred compensation, under the Deferral Plan during fiscal year 2019.

Nonqualified Deferred Compensation

Name	Executive Contributions in Fiscal Year 2019 ($) (1)	Registrant Contributions in Fiscal Year 2019 ($)	Aggregate Earnings in Fiscal Year 2019 ($) (2)	Aggregate Withdrawals in Fiscal Year 2019 ($)	Aggregate Balance at End of Fiscal Year 2019 ($)
Albert D. Bolles, Ph.D.	—	—	—	—	—
Molly A. Hemmeter	—	—	—	—	—
Gregory S. Skinner (3)	159,058	—	—	—	159,058
James G. Hall	—	—	—	—	—
Brian F. McLaughlin	—	—	—	—	—
Parker Javid	—	—	—	—	—

(1) Contributions reported in this column are reported as compensation in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.
(2) Amounts reported in this column represent the aggregate earnings accrued and credited to a Named Executive Officer's account during fiscal year 2019.
(3) The bonus earned by Mr. Skinner in fiscal year 2019 was deferred by him pursuant to the Deferral Plan.

Employment Contracts and Potential Payments upon Termination or Change in Control

Employment Contracts

Chief Executive Officer

On May 23, 2019, the Company entered into an executive employment agreement with Dr. Bolles, (the ***"Bolles Agreement"***) setting forth the terms of his employment. The Bolles Agreement expires on May 29, 2022 unless renewed or extended by both parties, and provides that Dr. Bolles shall be paid an annual base salary of $620,000 through the term of the Bolles Agreement (unless modified by the Compensation Committee), and participate in the annual Cash Incentive Award Plan and LTIP. Dr. Bolles is also eligible for grants of equity-based awards at such times and in such amounts as determined by the Compensation Committee.

The Bolles Agreement provides that upon his 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.

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

Chief Financial Officer

On January 31, 2019, the Company entered into a new executive employment agreement with Mr. Skinner (the ***"Skinner Agreement"***) setting forth the terms of his employment. The Skinner Agreement expires on December 31, 2021 unless renewed or extended by both parties, and provides that Mr. Skinner shall be paid an annual base salary of $380,000 (which was increased to $418,000 effective at the beginning of fiscal year 2020) through the term of the Skinner Agreement (unless modified by the Compensation Committee), and continue to participate in the annual Cash Incentive Award Plan and LTIP. Mr. Skinner is also eligible for grants of equity-based awards at such times and in such amounts as determined by the Compensation Committee.

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

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

Former Chief Executive Officer

On January 31, 2019, the Company entered into a new executive employment agreement with Ms. Hemmeter setting forth the terms of her employment (the ***"Hemmeter Agreement"***). The Hemmeter Agreement provided that Ms. Hemmeter would be paid an annual base salary of $525,000 through the term of the Hemmeter Agreement (unless modified by the Compensation Committee), and continue to participate in the annual Cash Incentive Award Plan and LTIP. Ms. Hemmeter was also eligible for grants of equity-based awards at such times and in such amounts as determined by the Compensation Committee.

Ms. Hemmeter resigned from the Company effective May 23, 2019 and received the following severance benefits:

Name	Base Salary (1)	Bonus Payment	Accelerated Vesting of Options (2)	Accelerated Vesting of RSUs (3)	Post-Termination Health Insurance Premiums (4)	Total
Molly A. Hemmeter......	$ 525,000	$ 366,253	$ —	$ 231,546	$ 46,000	$ 1,168,799

(1) Reflects payments based on 100% of her salary as of May 23, 2019.
(2) Stock options were out of the money (exercise price above stock price as of May 23, 2019, resignation date), and there is no value to the acceleration for those options.
(3) Accelerating the vesting of all outstanding RSUs resulted in the immediate vesting of 79,166 of the currently outstanding RSUs.
(4) Represents premiums to be paid under COBRA and the Armada Care Plan.

Potential Payments upon Termination or Change in Control

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

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

If Dr. Bolles' or Mr. Skinner's employment with the Company had been terminated without cause or for good reason not in connection with a change of control of the Company on May 26, 2019, the last day of the 2019 fiscal year, Dr. Bolles and Mr. Skinner would have received the following severance benefits under the Bolles Agreement and Skinner Agreement, respectively:

Name	Base Salary (1)	Bonus Payment	Accelerated Vesting of Options (2)	Accelerated Vesting of RSUs (3)	Post-Termination Health Insurance Premiums (4)	Total
Albert D. Bolles, Ph. D.	$ 620,000	$ —	$ 3,780	$ 227,993	$ 44,462	$ 896,235
Gregory S. Skinner	$ 380,000	$ 159,058	$ —	$ 150,220	$ 25,690	$ 714,968

(1) Reflects potential payments based on 100% of salaries as of May 26, 2019.
(2) Reflects value of shares that are in the money (exercise price below stock price as of May 26, 2019). For stock options out of the money (exercise price above stock price as of May 26, 2019), there is no value to the acceleration for those options.
(3) Accelerating the vesting of the outstanding RSUs by one year would result in 22,774 and 15,947 of the currently outstanding RSUs vesting as of May 26, 2019 for each of Dr. Bolles and Mr. Skinner, respectively.
(4) Represents the maximum amount of premiums that would have been paid under COBRA.

If Dr. Bolles' or Mr. Skinner's employment with the Company had been terminated without cause or for good reason in connection with a change of control of the Company on May 26, 2019, the last day of the 2019 fiscal year, Dr. Bolles and Mr. Skinner would have received the following severance benefits under the Bolles Agreement and Skinner Agreement, respectively, set forth above:

Name	Base Salary (1)	Bonus Payment	Accelerated Vesting of Options (2)	Accelerated Vesting of RSUs (3)	Post-Termination Health Insurance Premiums (4)	Total
Albert D. Bolles, Ph. D.	$ 930,000	$ —	$ 11,340	$ 558,041	$ 44,462	$ 1,543,843
Gregory S. Skinner	$ 570,000	$ 159,058	$ —	$ 217,724	$ 25,690	$ 972,472

(1) Reflects potential payments based on 150% of salaries as of May 26, 2019.
(2) Reflects value of shares that are in the money (exercise price below stock price as of May 26, 2019). For stock options out of the money (exercise price above stock price as of May 26, 2019), there is no value to the acceleration for those options.
(3) Accelerating the vesting of all outstanding RSUs would result in 59,240 and 23,113 of the currently outstanding RSUs vesting as of May 26, 2019 for each of Dr. Bolles and Mr. Skinner, respectively.
(4) Represents the maximum amount of premiums that would have been paid under COBRA.

CEO Pay Ratio

The following table sets forth the ratio of the total compensation of the Company's Chief Executive Officer, Albert D. Bolles, and Former Chief Executive Officer, Molly A. Hemmeter, to that of our median employee for the fiscal year ended May 26, 2019.

Chief Executive Officer total annual compensation	$	2,623,572
Median Employee total annual compensation	$	54,262
Ratio of Chief Executive Officer to Median Employee total annual compensation		48:1

To determine the Chief Executive Officer total annual compensation, we calculated the compensation provided to Ms. Hemmeter and Dr. Bolles during fiscal year 2019 for the time each served as Chief Executive Officer, and combined those amounts. In determining the median employee compensation, we excluded our two employees in Canada from the total number of employees employed by the Company as of May 26, 2019. In addition, pursuant to the acquisition of the Yucatan Foods business in Mexico in fiscal year 2019, 616 employees (including seasonal employees) in Mexico employed by the Company as of May 26, 2019, have been excluded from our median employee analysis. We annualized wages and salaries for employees that were not employed for the full year. We used base salary and actual bonus as the consistently applied compensation metric to determine the median employee. If this resulted in more than one individual at the median level, we assessed the grant date fair value of standard equity awards for these individuals and selected the employee with the median award value. After identifying the median employee, we calculated annual total compensation for the median employee according to the methodology used to report the annual compensation of our Named Executive Officers in the Summary Compensation Table.

RELATED PARTY TRANSACTIONS

Policies and Procedures with Respect to Related Party Transactions

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

Certain Relationships and Related Transactions

Curation Foods sells products to and earns license fees from Windset. Curation Foods holds a 26.9% equity interest in Windset. During fiscal year 2019, Curation Foods recognized $612,000 of revenues from Windset.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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

To the Company's knowledge, based solely upon review of the copies of such reports filed with the SEC and written representations that no other reports were required, during the fiscal year ended May 26, 2019 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 that a Form 4 filed on behalf of Ms. Carosella was filed after the filing deadline.

OTHER MATTERS

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

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

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Geoffrey P. Leonard

GEOFFREY P. LEONARD
SECRETARY

Santa Clara, California
August 21, 2019

APPENDIX A

LANDEC CORPORATION
2019 STOCK INCENTIVE PLAN

SECTION 1. INTRODUCTION.

1.1 The Landec Corporation 2019 Stock Incentive Plan (the "Plan") will be effective (the "Effective Date") upon its approval by an affirmative vote of the holders of a majority of the Shares that are present or by proxy and entitled to vote at the 2019 Annual Meeting of Stockholders of the Company. The Plan shall supersede the Existing Equity Plan effective as of the Effective Date such that no further awards shall be made under the Existing Equity Plan on or after such date. However, this Plan shall not, in any way, affect awards under the Existing Equity Plan that are outstanding as of the Effective Date. If the Company's stockholders do not approve this Plan, no Awards will be made under this Plan and the Existing Equity Plan will continue in effect in accordance with its terms.

1.2 The purpose of the Plan is to promote the long-term success of the Company and the creation of stockholder value by offering Key Service Providers an opportunity to share in such long-term success by acquiring a proprietary interest in the Company.

1.3 The Plan seeks to achieve this purpose by providing for discretionary Awards in the form of Options (which may constitute Incentive Stock Options or Non-statutory Stock Options), Stock Appreciation Rights, Stock Grants and Stock Units.

1.4 The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware (except its choice-of-law provisions), and with the applicable requirements of the stock exchanges or other trading systems on which the Stock is listed or entered for trading, in each case as determined by the Committee. Capitalized terms shall have the meaning provided in Section 2 unless otherwise provided in this Plan or any related Stock Option Agreement, SAR Agreement, Stock Grant Agreement or Stock Unit Agreement.

SECTION 2. DEFINITIONS.

2.1 "Affiliate" means any entity other than a Subsidiary if the Company and/or one or more Subsidiaries have a controlling interest in such entity. For purposes of the preceding sentence, except as the Committee may otherwise determine subject to the requirements of Treas. Reg. §1.409A-1(b)(5)(iii)(E)(1), the term "controlling interest" has the same meaning as provided in Treas. Reg. §1.414(c)-2(b)(2)(i), provided that the words "at least 50 percent" are used instead of the words "at least 80 percent" each place such words appear in Treas. Reg. §1.414(c)-2(b)(2)(i). The Company may at any time by amendment provide that different ownership thresholds (consistent with Section 409A of the Code) apply but any such change shall not be effective for twelve (12) months.

2.2 "Award" means any award of an Option, SAR, Stock Grant or Stock Unit under the Plan.

2.3 "Board" means the Board of Directors of the Company, as constituted from time to time.

2.4 "Cashless Exercise" means, to the extent that a Stock Option Agreement so provides and as permitted by applicable law, (i) a program approved by the Committee in which payment may be made all or in part by delivery (on a form prescribed by the Committee) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate Exercise Price and any applicable tax withholding obligations relating to the Option or (ii) the withholding of that number of Shares otherwise deliverable upon exercise of the Option whose aggregate Fair Market Value is equal to the aggregate Exercise Price.

2.5 "Cause" means, except as may otherwise be provided in a Participant's employment agreement or Award agreement to the extent such agreement is in effect at the relevant time, any of the following events: (i) the Participant's willful failure substantially to perform his or her duties and responsibilities to the Company or deliberate violation of a Company policy; (ii) the Participant's commission of any act of fraud, embezzlement, dishonesty or any other willful misconduct that has caused or is reasonably expected to result in material injury to the Company; (iii) unauthorized use or disclosure by the Participant of any proprietary information or trade secrets of the Company or any other party to whom the Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company; or (iv) the Participant's willful breach of any of his or her obligations under any written agreement or covenant with the Company. The determination as to whether a Participant is being terminated for Cause shall be made in good faith by the Company and shall be conclusive and binding on the Participant. The foregoing definition does not in any way limit the Company's ability to terminate a Participant's Service at any time as provided in Section 12.1, and the term "Company" will be interpreted to include any Subsidiary, Parent, Affiliate, or any successor thereto, if appropriate.

2.6 "Change In Control" except as may otherwise be provided in a Participant's employment agreement or Award agreement, means the first to occur of any of the following: (i) the consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization if more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such transaction is owned by persons who were not stockholders of the Company immediately prior to such transaction; (ii) the sale, transfer or other disposition of all or substantially all of the Company's assets; (iii) the direct or indirect sale or exchange in a single transaction or series of related transactions by the stockholders of the Company of more than 50% of the voting stock of the Company to an unrelated person or entity if more than 50% of the combined voting power of the surviving entity's securities outstanding immediately after such transaction is owned by persons who were not stockholders of the Company immediately prior to such transaction; (iv) a complete liquidation or dissolution of the Company; or (v) a majority of the members of the Board is replaced during any 12-month period with members whose appointment or election is not endorsed by a majority of the members of the Board before the date of appointment or election.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transactions.

2.7 "Code" means the Internal Revenue Code of 1986, as amended, and the regulations and interpretations promulgated thereunder.

2.8 "Committee" means a committee described in Section 3.

2.9 "Common Stock" means the Company's common stock, par value $0.001 per share.

2.10 "Company" means Landec Corporation, a Delaware corporation.

2.11 "Consultant" means an individual who provides bona fide services to the Company, a Parent, a Subsidiary or an Affiliate, other than as an Employee or Director or Non-Employee Director; provided that such services are not in connection with the offer or sale of securities in a capital raising transaction, and do not directly or indirectly promote or maintain a market for the securities of the Company or its Parent, Subsidiary or Affiliates.

2.12 "Director" means a member of the Board who is also an Employee.

2.13 "Disability" means that the Participant is classified as disabled under a long-term disability policy of the Company or, if no such policy applies, the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

2.14 "Effective Date" means the date that the Plan is approved by the Company's stockholders.

2.15 "Employee" means any individual who is a common law employee of the Company, a Parent, a Subsidiary or an Affiliate.

2.16 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

2.17 "Exercise Price" means, in the case of an Option, the amount for which a Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement. "Exercise Price," in the case of a SAR, means an amount, as specified in the applicable SAR Agreement, which is subtracted from the Fair Market Value in determining the amount payable upon exercise of such SAR.

2.18 "Existing Equity Plan" means the Company's 2013 Stock Incentive Plan.

2.19 "Fair Market Value" means the market price of a Share as determined in good faith by the Committee. Such determination shall be conclusive and binding on all persons. The Fair Market Value shall be determined by the following: (i) if the Shares are admitted to trading on any established national stock exchange or market system, including without limitation the NASDAQ Global Market System, on the date in question, then the Fair Market Value shall be equal to the closing sales price for such Shares as quoted on such national exchange or system on such date; or (ii) if the Shares are admitted to quotation on NASDAQ or are regularly quoted by a recognized securities dealer but selling prices are not reported on the date in question, then the Fair Market Value shall be equal to the mean between the bid and asked prices of the Shares reported for such date.

In each case, the applicable price shall be the price reported in The Wall Street Journal or such other source as the Committee deems reliable; provided, however, that if there is no such reported price for the Shares for the date in question, then the Fair Market Value shall be equal to the price reported on the last preceding date for which such price exists. If neither (i) or (ii) are applicable, then the Fair Market Value shall be determined by the Committee in good faith on such basis as it deems appropriate, consistent with the requirements of Section 409A or Section 422 of the Code, to the extent applicable.

2.20 "Fiscal Year" means the Company's fiscal year.

2.21 "Grant" means any grant of an Award under the Plan.

2.22 "Incentive Stock Option" or "ISO" means a stock option intended to be an "incentive stock option" within the meaning of Section 422 of the Code.

2.23 "Key Service Provider" means an Employee, Director, Non-Employee Director or Consultant who has been selected by the Committee to receive an Award under the Plan.

2.24 "Non-Employee Director" means a member of the Board who is not an Employee.

2.25 "Nonstatutory Stock Option" or "NSO" means a stock option that is not an ISO.

2.26 "Option" means an ISO or NSO granted under the Plan entitling the Optionee to purchase Shares.

2.27 "Optionee" means an individual, estate that holds an Option.

2.28 "Parent" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

2.29 "Participant" means an individual or estate that holds an Award under the Plan.

2.30 "Performance Goals" means one or more objective measurable performance factors as determined by the Committee with respect to each Performance Period based upon one or more factors (measured either absolutely or by reference to an index or indices and determined either on a consolidated basis or, as the context permits, on a Parent, Company, Affiliate, Subsidiary, divisional, line of business, unit, project or geographical basis or in combinations thereof), including, but not limited to: (i) operating income; (ii) earnings before interest, taxes, depreciation and amortization ("EBITDA"); (iii) earnings; (iv) cash flow; (v) market share; (vi) sales or revenue; (vii) expenses; (viii) cost of goods sold; (ix) profit/loss or profit margin; (x) working capital; (xi) return on equity or assets; (xii) earnings per share; (xiii) economic value added ("EVA"); (xiv) price/earnings ratio; (xv) debt or debt-to-equity; (xvi) accounts receivable; (xvii) write-offs; (xviii) cash; (xix) assets; (xx) liquidity; (xxi) operations; (xxii) intellectual property (e.g., patents); (xxiii) product development; (xxiv) regulatory activity; (xxv) manufacturing, production or inventory; (xxvi) mergers and acquisitions or divestitures; and/or (xxvii) financings or refinancings. The Committee may provide that one or more of the Performance Goals applicable to such Award will be adjusted in an objectively determinable manner to reflect events (for example, but without limitation, acquisitions or dispositions) occurring during the Performance Period that affect the applicable Performance Goals.

2.31 "Performance Period" means any period as determined by the Committee, in its sole discretion. The Committee may establish different Performance Periods for different Participants, and the Committee may establish concurrent or overlapping Performance Periods.

2.32 "Plan" means this Landec Corporation 2019 Stock Incentive Plan, as it may be amended from time to time.

2.33 "Re-Price" means that the Company has lowered or reduced the Exercise Price of outstanding Options and/or outstanding SARs for any Participant(s) in a manner described by Item 402(i)(1) of SEC Regulation S-K (or its successor provision).

2.34 "SAR Agreement" means the agreement described in Section 7 evidencing each Award of a Stock Appreciation Right.

2.35 "SEC" means the Securities and Exchange Commission.

2.36 "Section 16 Persons" means those officers, directors or other persons who are subject to Section 16 of the Exchange Act.

2.37 "Securities Act" means the Securities Act of 1933, as amended.

2.38 "Service" means service as an Employee, Director, Non-Employee Director or Consultant. A Participant's Service does not terminate if he or she is an Employee and goes on a bona fide leave of absence that was approved by the Company in writing and the terms of the leave provide for continued service crediting, or when continued service crediting is required by applicable law. However, for purposes of determining whether an Option is entitled to continuing ISO status, an Employee's Service will be treated as terminating 90 days after such Employee went on leave, unless such Employee's right to return to active work is guaranteed by law or by a contract. Service terminates in any event when the approved leave ends, unless such Employee immediately returns to active work. The Committee determines which leaves count toward Service, and when Service terminates for all purposes under the Plan. Further, unless otherwise determined by the Committee, a Participant's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant provides service to the Company, a Parent, Subsidiary or Affiliate, or a transfer between entities (the Company or any Parent, Subsidiary, or Affiliate); except that, for purposes of Section 4.7(i) only, a Participant's Service shall be deemed to terminate if he or she is an Employee and thereafter becomes a Consultant but, for the avoidance of doubt, a Participant's Service shall not be deemed to terminate if he or she is an Employee and thereafter remains or becomes a Non-Employee Director (even if the Participant is also a Consultant) (it being understood that any post-termination exercise period set forth in Section 4.7(iii) or (iv) shall commence when the Participant ceases to provide Service in any capacity listed herein); provided, however, in all cases that there is no interruption or other termination of Service.

2.39 "Share" means one share of Common Stock.

2.40 "Stock Appreciation Right" or "SAR" means a stock appreciation right awarded under the Plan.

2.41 "Stock Grant" means Shares awarded under the Plan.

2.42 "Stock Grant Agreement" means the agreement described in Section 8 evidencing each Award of a Stock Grant.

2.43 "Stock Option Agreement" means the agreement described in Section 6 evidencing each Award of an Option.

2.44 "Stock Unit" means a bookkeeping entry representing the equivalent of one Share, as awarded under the Plan.

2.45 "Stock Unit Agreement" means the agreement described in Section 9 evidencing each Award of a Stock Unit.

2.46 "Subsidiary" means any corporation (other than the Company) or other entity in a chain of corporations or other entities in which each corporation or other entity has a controlling interest in another corporation or other entity in the chain, beginning with the Company and ending with such corporation or other entity. For purposes of the preceding sentence, except as the Committee may otherwise determine subject to the requirements of Treas. Reg. §1.409A-1(b)(5)(iii)(E)(1), the term "controlling interest" has the same meaning as provided in Treas. Reg. §1.414(c)-2(b)(2)(i), provided that the words "at least 50 percent" are used instead of the words "at least 80 percent" each place such words appear in Treas. Reg. §1.414(c)-2(b)(2)(i). The Company may at any time by amendment provide that different ownership thresholds (consistent with Section 409A of the

Code) apply but any such change shall not be effective for twelve (12) months. A corporation or other entity that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

2.47 "10-Percent Stockholder" means an individual who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company, its Parent or any of its Subsidiaries. In determining stock ownership, the attribution rules of Section 424(d) of the Code shall be applied.

SECTION 3. ADMINISTRATION.

3.1 Committee Composition. A Committee appointed by the Board shall administer the Plan. Unless the Board provides otherwise, the Company's Compensation Committee shall be the Committee. If no Committee has been appointed, the entire Board shall constitute the Committee. Members of the Committee shall serve for such period of time as the Board may determine and shall be subject to removal by the Board at any time. The Board may also at any time terminate the functions of the Committee and reassume all powers and authority previously delegated to the Committee.

(a) The Committee shall have membership composition which enables it to make awards to Section 16 Persons to qualify as exempt from liability under Section 16(b) of the Exchange Act.

(b) The Board may also appoint one or more separate committees of the Board, each composed of two or more directors of the Company who need not qualify under Rule 16b-3, that may administer the Plan with respect to Key Service Providers who are not Section 16 Persons, grant Awards under the Plan to such Key Service Providers and determine all terms of such Awards.

3.2 Authority of the Committee. Subject to the provisions of the Plan, the Committee shall have full authority and sole discretion to take any actions it deems necessary or advisable for the administration of the Plan. Such actions shall include, without limitation: (i) selecting Key Service Providers who are to receive Awards under the Plan; (ii) determining the type, number, vesting requirements and other features and conditions of such Awards and amending such Awards; (iii) correcting any defect, supplying any omission, or reconciling any inconsistency in the Plan or any Award agreement; (iv) accelerating the vesting, or extending the post-termination exercise term, of Awards at any time and under such terms and conditions as it deems appropriate; (v) interpreting the Plan; (vi) making all other decisions relating to the operation of the Plan; and (vii) adopting such plans or subplans as may be deemed necessary or appropriate to provide for the participation by employees of the Company and its Subsidiaries and Affiliates who reside outside the U.S., which plans and/or subplans shall be attached hereto as Appendices.

The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons.

The Committee may delegate (i) to one or more officers of the Company the power to grant Awards to the extent permitted by applicable law; and (ii) to such Employees or other persons as it determines such ministerial tasks as it deems appropriate. In the event of any delegation described in the preceding sentence, the term "Committee" will include the person or persons so delegated to the extent of such delegation.

3.3 Indemnification. To the maximum extent permitted by applicable law, each member of the Committee, and of the Board, shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or any Award agreement, and (ii) from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

SECTION 4. GENERAL.

4.1 General Eligibility. Only Employees, Directors, Non-Employee Directors and Consultants shall be eligible to participate in the Plan.

4.2 Incentive Stock Options. Only Key Service Providers who are Employees of the Company, a Parent or a Subsidiary shall be eligible for the grant of ISOs. In addition, a Key Service Provider who is a 10-Percent Stockholder shall not be eligible for the grant of an ISO unless the requirements set forth in Section 422(c)(5) of the Code are satisfied.

4.3 Restrictions on Shares. Any Shares issued pursuant to an Award shall be subject to such rights of repurchase, rights of first refusal, “drag-along rights” and other transfer restrictions as the Committee may determine, in its sole discretion. Such restrictions shall apply in addition to any restrictions that may apply to holders of Shares generally and shall also comply to the extent necessary with applicable law. In no event shall the Company be required to issue fractional Shares under this Plan.

4.4 Beneficiaries. Unless stated otherwise in an Award agreement, a Participant may designate one or more beneficiaries with respect to an Award by timely filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Participant’s death. If no beneficiary was designated or if no designated beneficiary survives the Participant, then after a Participant’s death any vested Award(s) shall be transferred or distributed to the Participant’s estate.

4.5 Performance Conditions. The Committee may, in its discretion, include performance conditions in an Award. If performance conditions are included in Awards, then such Awards will be subject to the achievement of Performance Goals established by the Committee. Before any Shares underlying an Award or any Award payments are released to a Participant with respect to a Performance Period, the Committee shall certify in writing that the Performance Goals for such Performance Period have been satisfied.

4.6 No Rights as a Stockholder. A Participant, or a transferee of a Participant, shall have no rights as a Stockholder with respect to any Common Stock covered by an Award until such person has satisfied all of the terms and conditions to receive such Common Stock, has satisfied any applicable withholding or tax obligations relating to the Award and the Shares have been issued to such person (as evidenced by an appropriate entry on the books of the Company or a duly authorized transfer agent of the Company).

4.7 Termination of Service. Unless the applicable Award agreement or, with respect to Participants who reside in the U.S., the applicable employment agreement provides otherwise, the following rules shall govern the vesting, exercisability and term of outstanding Awards held by a Participant in the event of termination of such Participant’s Service (in all cases subject to the term of the Option and/or SAR as applicable): (i) upon termination of Service for any reason, all unvested portions of any outstanding Awards shall be immediately forfeited without consideration and the vested portions of any outstanding Stock Units shall be settled upon termination; (ii) if the Service of a Participant is terminated for Cause, then all unexercised Options and/or SARs, unvested portions of Stock Units and unvested portions of Stock Grants shall terminate and be forfeited immediately without consideration; (iii) if the Service of a Participant is terminated for any reason other than for Cause, death, or Disability, then the vested portion of his or her then-outstanding Options and/or SARs may be exercised by such Participant or his or her personal representative within six months after the date of such termination; or (iv) if the Service of a Participant is terminated due to death or Disability, the vested portion of his or her then-outstanding Options and/or SARs may be exercised within six months after the date of termination of Service. In no event shall an Option or SAR be exercisable following the end of the term of such Option or SAR, as applicable.

4.8 Coordination with Other Plans. Awards under the Plan may be granted in tandem with, or in satisfaction of or substitution for, other Awards under the Plan or awards made under other compensatory plans or programs of the Company or its Subsidiaries or Affiliates. For example, but without limiting the generality of the foregoing, awards under other compensatory plans or programs of the Company or its Subsidiaries or Affiliates may be settled in Shares if the Committee so determines, in which case the shares delivered will be treated as awarded under the Plan (and will reduce the number of shares thereafter available under the Plan in accordance with the rules set forth in Section 5).

4.9 Minimum Vesting Period. Awards that vest based solely on the satisfaction by the Participant of service-based vesting conditions shall be subject to a vesting period of not less than one year from the applicable date of Grant, and Awards whose grant or vesting is subject to the satisfaction of Performance Goals shall be subject to a performance period of not less than one year. The foregoing minimum vesting and performance periods will not, however, apply in connection with: (i) a Change in Control, (ii) a termination of Service due to death or Disability, (iii) a substitute Award granted in connection with a transaction pursuant to Section 11.1 that does not reduce the vesting period of the Award being replaced, (iv) Awards made to Non-Employee Directors who elect to receive such Awards in exchange for cash compensation to which they would otherwise be or become entitled, and (v) Awards involving an aggregate number of Shares not in excess of 5% of the Plan’s share reserve specified in Section 5.1.

SECTION 5. SHARES SUBJECT TO PLAN AND SHARE LIMITS.

5.1 Basic Limitation. The stock issuable under the Plan shall be authorized but unissued Shares. The aggregate number of Shares reserved for Awards under the Plan shall not exceed (i) 2,000,000 Shares, plus (ii) any Shares that are represented by awards granted under the Company's 2009 Stock Incentive Plan and 2013 Stock Incentive Plan that are forfeited, expire or are cancelled without delivery of Shares or which result in the forfeiture of Shares back to the Company on or after the Effective Date, subject to adjustment pursuant to Section 10, 2,000,000 of which may be issued as ISOs.

5.2 Additional Shares. If Awards expire, are forfeited or are terminated for any reason before being exercised or becoming vested or if the Awards are settled in cash, then the Shares underlying such Awards shall again become available for Awards under the Plan. SARs to be settled in Shares shall be counted in full against the number of Shares available for issuance under the Plan, regardless of the number of Shares issued upon settlement of the SARs. Any Shares withheld from an Award to satisfy the tax withholding obligations with respect to such Award or in payment of the Exercise Price of an Award requiring exercise shall not again be available for issuance under the Plan nor shall such Shares if they have been reacquired by the Company in the open market using the proceeds of amounts received upon the exercise of Options. Shares issued in connection with Awards that are assumed, converted or substituted pursuant to a merger, acquisition or similar transaction shall not reduce the number of Shares available for issuance under the Plan.

5.3 Dividend Equivalents. Any dividend equivalents distributed as Shares under the Plan shall be applied against the number of Shares available for Awards. Dividend equivalents distributed as cash shall have no impact on the number of Shares available for Awards.

5.4 Share Limits.

(a) Limits on Options. No Key Service Provider shall receive Options to purchase Shares during any Fiscal Year covering in excess of 500,000 Shares.

(b) Limits on SARs. No Key Service Provider shall receive Awards of SARs during any Fiscal Year covering in excess of 500,000 Shares.

(c) Limits on Stock Grants and Stock Units. No Key Service Provider shall receive Stock Grants or Stock Units during any Fiscal Year covering, in the aggregate, in excess of 250,000 Shares.

(d) Limits on Awards to Non-Employee Directors. Notwithstanding sub-sections (a), (b) and (c) above, the maximum dollar value of Awards (calculated based on grant date fair value for financial reporting purposes) granted in any Fiscal Year to any individual Non-Employee Director shall not exceed $120,000. The Committee may make exceptions to this limit for individual Non-Employee Directors in extraordinary circumstances, as the Committee may determine in its discretion, provided that the Non-Employee Director receiving such additional compensation may not participate in the decision to award such compensation.

SECTION 6. TERMS AND CONDITIONS OF OPTIONS.

6.1 Stock Option Agreement. Each Grant of an Option under the Plan shall be evidenced and governed exclusively by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan and that the Committee deems appropriate for inclusion in a Stock Option Agreement (including without limitation any performance conditions). The provisions of the various Stock Option Agreements entered into under the Plan need not be identical. The Stock Option Agreement shall also specify whether the Option is an ISO or an NSO. No dividends or dividend equivalents will be paid with respect to Options.

6.2 Number of Shares. Each Stock Option Agreement shall specify the number of Shares that are subject to the Option and shall be subject to adjustment of such number in accordance with Section 10.

6.3 Exercise Price. An Option's Exercise Price shall be established by the Committee and set forth in a Stock Option Agreement. The Exercise Price of an Option shall not be less than 100% of the Fair Market Value (110% for ISO grants to 10-Percent Stockholders) on the date of Grant.

6.4 Exercisability and Term. Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become exercisable; provided that the vesting limitations set forth in Section 4.9 shall apply. The Stock Option Agreement shall also specify the term of the Option; provided that the term of an Option shall in no event exceed seven years from the date of Grant (five years from the date of Grant for ISO grants to 10-Percent Stockholders). A Stock Option Agreement may provide for accelerated vesting in the event of the Participant's death, Disability, or other events. Notwithstanding any other provision of the Plan, no Option can be exercised after the expiration date provided in the applicable Stock Option Agreement. Unless the Committee expressly provides otherwise, no Stock Option will be deemed to have been exercised until the Committee receives a notice of exercise (in form acceptable to the Committee) which may be an electronic notice, signed (including electronic signature in form acceptable to the Committee) by the appropriate person and accompanied by any payment required under the Award. A Stock Option exercised by any person other than the Participant will not be deemed to have been exercised until the Committee has received such evidence as it may require that the person exercising the Award has the right to do so.

6.5 Payment for Option Shares. The Exercise Price of Shares issued upon exercise of Options shall be payable in cash at the time when such Shares are purchased, except as follows and if so provided for in an applicable Stock Option Agreement:

(a) Surrender of Stock. Payment for all or any part of the Exercise Price may be made with Shares which have already been owned by the Optionee; provided that the Committee may, in its sole discretion, require that Shares tendered for payment be previously held by the Optionee for a minimum duration (e.g., to avoid financial accounting charges to the Company's earnings). Such Shares shall be valued at their Fair Market Value.

(b) Cashless Exercise. Payment for all or a part of the Exercise Price may be made through Cashless Exercise.

(c) Other Forms of Payment. Payment may be made in any other form that is consistent with applicable laws, regulations and rules and approved by the Committee.

In the case of an ISO granted under the Plan, payment shall be made only pursuant to the express provisions of the applicable Stock Option Agreement. The Stock Option Agreement may specify that payment may be made in any form(s) described in this Section 6.5. In the case of an NSO granted under the Plan, the Committee may, in its discretion at any time, accept payment in any form(s) described in this Section 6.5.

6.6 Modifications or Assumption of Options. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding options or may accept the cancellation of outstanding options (whether granted by the Company or by another issuer) in return for the grant of new Options for the same or a different number of Shares and at the same or a different Exercise Price. Notwithstanding the preceding sentence or anything to the contrary, no modification of an Option shall, without the consent of the Optionee, materially impair his or her rights or obligations under such Option and, unless there is approval by the Company stockholders, the Committee may not Re-Price outstanding Options.

6.7 Assignment or Transfer of Options. Except as otherwise provided in the applicable Stock Option Agreement and for no consideration and then only to the extent permitted by applicable law, no Option shall be transferable by the Optionee other than by will or by the laws of descent and distribution. Except as otherwise provided in the applicable Stock Option Agreement, an Option may be exercised during the lifetime of the Optionee only or by the guardian or legal representative of the Optionee. No Option or interest therein may be assigned, pledged or hypothecated by the Optionee during his or her lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

SECTION 7. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS.

7.1 SAR Agreement. Each Award of a SAR under the Plan shall be evidenced by a SAR Agreement between the Participant and the Company. Such SAR shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan (including without limitation any performance conditions). A SAR Agreement may provide for a maximum limit on the amount of any payout notwithstanding the Fair Market Value on the date of exercise of the SAR. The provisions of the various SAR Agreements entered into under the Plan need not be identical. SARs may be granted in consideration of a reduction in the Participant's compensation. No dividends or dividend equivalents will be paid with respect to SARs.

7.2 Number of Shares. Each SAR Agreement shall specify the number of Shares to which the SAR pertains and is subject to adjustment of such number in accordance with Section 10.

7.3 Exercise Price. Each SAR Agreement shall specify the Exercise Price. The Exercise Price of a SAR shall not be less than 100% of the Fair Market Value on the date of Grant.

7.4 Exercisability and Term. Each SAR Agreement shall specify the date when all or any installment of the SAR is to become exercisable; provided that the vesting limitations set forth in Section 4.9 shall apply. The SAR Agreement shall also specify the term of the SAR which shall not exceed seven years from the date of Grant. A SAR Agreement may provide for accelerated exercisability in the event of the Participant's death, Disability, or other events and may provide for expiration prior to the end of its term in the event of the termination of the Participant's Service.

7.5 Exercise of SARs. If, on the date when a SAR expires, the Exercise Price under such SAR is less than the Fair Market Value on such date but any portion of such SAR has not been exercised or surrendered, then such SAR shall automatically be deemed to be exercised as of such date with respect to such portion. Upon exercise of a SAR, the Participant (or any person having the right to exercise the SAR after the Participant's death) shall receive from the Company (i) Shares, (ii) cash or (iii) any combination of Shares and cash, as the Committee shall determine at the time of grant of the SAR, in its sole discretion. The amount of cash and/or the Fair Market Value of Shares received upon exercise of SARs shall, in the aggregate, be equal to the amount by which the Fair Market Value (on the date of surrender) of the Shares subject to the SARs exceeds the Exercise Price of the Shares.

7.6 Modification or Assumption of SARs. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding SARs or may accept the cancellation of outstanding SARs (including stock appreciation rights granted by another issuer) in return for the grant of new SARs for the same or a different number of Shares and at the same or a different Exercise Price. Notwithstanding the preceding sentence or anything to the contrary, no modification of a SAR shall, without the consent of the Participant, materially impair his or her rights or obligations under such SAR and, unless there is approval by the Company stockholders, the Committee may not Re-Price outstanding SARs.

7.7 Assignment or Transfer of SARs. Except as otherwise provided in the applicable SAR Agreement and then only for no consideration and to the extent permitted by applicable law, no SAR shall be transferable by the Participant other than by will or by the laws of descent and distribution. Except as otherwise provided in the applicable SAR Agreement, a SAR may be exercised during the lifetime of the Participant only or by the guardian or legal representative of the Participant. No SAR or interest therein may be assigned, pledged or hypothecated by the Participant during his or her lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

SECTION 8. TERMS AND CONDITIONS FOR STOCK GRANTS.

8.1 Time, Amount and Form of Awards. Awards under this Section 8 may be granted in the form of a Stock Grant.

8.2 Stock Grant Agreement. Each Stock Grant awarded under the Plan shall be evidenced and governed exclusively by a Stock Grant Agreement between the Participant and the Company. Each Stock Grant shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan that the Committee deems appropriate for inclusion in the applicable Stock Grant Agreement (including without limitation any performance conditions). The provisions of the Stock Grant Agreements entered into under the Plan need not be identical.

8.3 Payment for Stock Grants. Stock Grants may be issued with or without cash consideration under the Plan.

8.4 Vesting Conditions. Each Stock Grant may or may not be subject to vesting. Vesting shall occur in full or in installments upon satisfaction of the conditions specified in the Stock Grant Agreement, which may include Performance Goals pursuant to Section 4.5; provided that the vesting limitations set forth in Section 4.9 shall apply. A Stock Grant Agreement may provide for accelerated vesting in the event of the Participant's death, Disability, or other events.

8.5 Assignment or Transfer of Stock Grants. Except as provided in the applicable Stock Grant Agreement and then only for no consideration and to the extent permitted by applicable law, a Stock Grant awarded under the Plan shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily, involuntarily or by operation of law. Any act in violation of this Section 8.5 shall be void. However, this Section 8.5 shall not preclude a Participant from designating a beneficiary who will receive any vested outstanding Stock Grant Awards in the event of the Participant's death, nor shall it preclude a transfer of vested Stock Grant Awards by will or by the laws of descent and distribution.

8.6 Voting and Dividend Rights. The holder of a Stock Grant awarded under the Plan shall have the same voting, dividend and other rights as the Company's other stockholders; provided that any dividend payable with respect to such Stock Grant shall not be paid to the holder until the holder's interest in such Stock Grant becomes non-forfeitable. A Stock Grant Agreement may require that any cash dividends be deemed to be reinvested in additional Shares subject to the Stock Grant (based on the Fair Market Value of a Share on the applicable dividend payment date). Such additional Shares subject to the Stock Grant shall be subject to the same conditions and restrictions as the Stock Grant with respect to which the dividends were paid. Such additional Shares subject to the Stock Grant shall not reduce the number of Shares available for issuance under Section 5.

8.7 Modification or Assumption of Stock Grants. Within the limitations of the Plan, the Committee may modify or assume outstanding Stock Grants or may accept the cancellation of outstanding Stock Grants (including stock granted by another issuer) in return for the grant of new Stock Grants for the same or a different number of Shares. Notwithstanding the preceding sentence or anything to the contrary, no modification of a Stock Grant shall, without the consent of the Participant, materially impair his or her rights or obligations under such Stock Grant.

SECTION 9. TERMS AND CONDITIONS OF STOCK UNITS.

9.1 Stock Unit Agreement. Each grant of Stock Units under the Plan shall be evidenced by a Stock Unit Agreement between the Participant and the Company. Such Stock Units shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan (including without limitation any performance conditions). The provisions of the various Stock Unit Agreements entered into under the Plan need not be identical. Stock Units may be granted in consideration of a reduction in the Participant's other compensation.

9.2 Number of Shares. Each Stock Unit Agreement shall specify the number of Shares to which the Stock Unit Grant pertains and is subject to adjustment of such number in accordance with Section 10.

9.3 Payment for Awards. To the extent that an Award is granted in the form of Stock Units, no cash consideration shall be required of the Award recipients.

9.4 Vesting Conditions. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Stock Unit Agreement which may include Performance Goals pursuant to Section 4.5; provided that the vesting limitations set forth in Section 4.9 shall apply. A Stock Unit Agreement may provide for accelerated vesting in the event of the Participant's death, Disability, or other events.

9.5 Voting and Dividend Rights. The holders of Stock Units shall have no voting rights. Prior to settlement or forfeiture, any Stock Unit awarded under the Plan may, at the Committee's discretion, carry with it a right to dividend equivalents. Such right entitles the holder to be credited with an amount equal to all cash dividends paid on one Share while the Stock Unit is outstanding; provided that such dividend equivalents shall not be paid to the holder until the holder's interest in the underlying Stock Unit becomes non-forfeitable. Dividend equivalents may be converted into additional Stock Units subject to the same conditions as the Stock Units with respect to which the dividend equivalents relate. Settlement of dividend equivalents may be made in the form of cash, in the form of Shares, or in a combination of both. Any entitlement to dividend equivalents or similar entitlements shall be established and administered consistent either with an exemption from, or compliance with, the requirements of Section 409A of the Code.

9.6 Form and Time of Settlement of Stock Units. Settlement of vested Stock Units may be made in the form of (a) cash, (b) Shares or (c) any combination of both, as determined by the Committee at the time of the grant of the Stock Units, in its sole discretion. Methods of converting Stock Units into cash may include (without limitation) a method based on the average Fair Market Value of Shares over a series of trading days. Vested Stock Units may be settled in a lump sum or in installments. The distribution may occur or commence when the vesting conditions applicable to the Stock Units have been satisfied or have lapsed, or it may be deferred, in accordance with applicable law, to any later date. The amount of a deferred distribution may be increased by an interest factor or by dividend equivalents. Until an Award of Stock Units is settled, the number of such Stock Units shall be subject to adjustment pursuant to Section 10.

9.7 Creditors' Rights. A holder of Stock Units shall have no rights other than those of a general creditor of the Company. Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Stock Unit Agreement.

9.8 Modification or Assumption of Stock Units. Within the limitations of the Plan, the Committee may modify or assume outstanding Stock Units or may accept the cancellation of outstanding Stock Units (including stock units granted by another issuer) in return for the grant of new Stock Units for the same or a different number of Shares. Notwithstanding the preceding sentence or anything to the contrary, no modification of a Stock Unit shall, without the consent of the Participant, materially impair his or her rights or obligations under such Stock Unit.

9.9 Assignment or Transfer of Stock Units. Except as provided in the applicable Stock Unit Agreement and then only for no consideration and to the extent permitted by applicable law, Stock Units shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily, involuntarily or by operation of law. Any act in violation of this Section 9.9 shall be void. However, this Section 9.9 shall not preclude a Participant from designating a beneficiary who will receive any outstanding vested Stock Units in the event of the Participant's death, nor shall it preclude a transfer of vested Stock Units by will or by the laws of descent and distribution.

SECTION 10. PROTECTION AGAINST DILUTION.

10.1 Basic Adjustments. In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in Shares, a combination or consolidation of the outstanding Shares (by reclassification or otherwise) into a lesser number of Shares, a recapitalization, a spin-off or a similar occurrence that constitutes an equity restructuring within the meaning of FASB ASC 718, the Committee shall make such adjustments as it, in its sole discretion, deems appropriate in one or more of: (i) the number of Shares and the kind of shares or securities available for future Awards under Section 5; (ii) the limits on Awards specified in Section 5; (iii) the number of Shares and the kind of shares or securities covered by each outstanding Award; or (iv) the Exercise Price under each outstanding SAR or Option.

References in the Plan to Shares will be construed to include any stock or securities resulting from an adjustment pursuant to this Section 10. Unless the Committee determines otherwise, any adjustments hereunder shall be done on terms and conditions consistent with Section 409A of the Code.

10.2 Certain Other Adjustments. The Committee may also make adjustments of the type described in Section 10.1 above to take into account distributions to stockholders other than those provided for in Section 10.1, including, without limitation, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the price of Shares or any other event, if the Committee determines that adjustments are appropriate to avoid distortion in the operation of the Plan and to preserve the value of Awards made hereunder, having due regard for the qualification of ISOs under Section 422 of the Code and the requirements of Section 409A of the Code, where applicable.

10.3 Participant Rights. Except as provided in this Section 10, a Participant shall have no rights by reason of any issue by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class. If by reason of an adjustment pursuant to this Section 10 a Participant's Award covers additional or different shares of stock or securities, then such additional or different shares and the Award in respect thereof shall be subject to all of the terms, conditions and restrictions which were applicable to the Award and the Shares subject to the Award prior to such adjustment.

10.4 Fractional Shares. Any adjustment of Shares pursuant to this Section 10 shall be rounded down to the nearest whole number of Shares. Under no circumstances shall the Company be required to authorize or issue fractional shares and no consideration shall be provided as a result of any fractional shares not being issued or authorized.

SECTION 11. EFFECT OF A CHANGE IN CONTROL.

11.1 Default Vesting Provisions. Unless otherwise provided for in an individual Award agreement or employment agreement, and except to the extent that an Award meeting the requirements of Section 11.2(a) (a "Replacement Award") is provided to the Participant to replace an existing Award (the "Replaced Award"), upon a Change in Control, all then-outstanding Awards shall vest in accordance with paragraphs (a) and (b) of this Section 11.1.

(a) Outstanding Awards that are Subject Solely to a Service Vesting Condition. Upon a Change in Control, subject to Section 11.3, a Participant's then-outstanding Awards as to which vesting depends solely on the satisfaction of a service obligation by the Participant to the Company shall become fully vested and shall be settled in cash, Shares or a combination thereof as provided for under the applicable Award agreement upon or within thirty (30) days following such Change in Control (except to the extent that settlement of the Award must be made pursuant to its original schedule in order to comply with Section 409A of the Code).

(b) Outstanding Awards that are Subject to a Performance Vesting Condition. Upon a Change in Control, subject to Section 11.3, a Participant's then-outstanding Awards as to which vesting depends upon the satisfaction of one or more performance conditions shall immediately vest and all performance conditions shall be deemed achieved based on the greater of (i) target performance and (ii) actual performance as determined by the Committee through the date of the Change in Control (unless the Committee determines that measurement of actual performance cannot reasonably be assessed, in which case performance shall be deemed achieved based on target performance). Such Awards shall be settled in cash, Shares or a combination thereof as provided for under the applicable Award Agreement upon or within thirty (30) days following such Change in Control (except to the extent that settlement of the Award must be made pursuant to its original schedule in order to comply with Section 409A of the Code).

11.2 Definition of Replacement Award.

(a) An Award shall qualify as a Replacement Award if: (i) it is of the same type as the Replaced Award (or, it is of a different type as the Replaced Award, provided that the Committee, as constituted immediately prior to the Change in Control, finds such type acceptable); (ii) it has an intrinsic value at least equal to the value of the Replaced Award; (iii) it relates to publicly traded equity securities of the Company or its successor in the Change in Control or another entity that is affiliated with the Company or its successor following the Change in Control; (iv) its terms and conditions comply with Section 11.2(b); (v) vesting conditions continue on the same terms as set forth in the Replaced Award, provided that any performance-based vesting conditions shall be deemed to be satisfied at the greater of (A) target performance and (B) actual performance as determined by the Committee through the date of the Change in Control (unless the Committee determines that measurement of actual performance cannot reasonably be assessed, in which case performance shall be deemed achieved based on target performance); and (vi) its other terms and conditions are not less favorable to the holder of the Award than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change in Control). Without limiting the generality of the foregoing, a Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this Section 11.2(a) are satisfied shall be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion. Without limiting the generality of the foregoing, the Committee may determine the value of Awards and Replacement Awards that are Options or SARs by reference to either their intrinsic value or their fair value.

(b) Upon an involuntary termination of service of a Participant by the Company or its successor other than for Cause within two years following the Change in Control, all Replacement Awards held by the Participant shall become fully vested and free of restrictions. Replacement Awards in the form of (i) Options or SARs shall remain fully exercisable according to the terms of the applicable Award agreement, and (ii) other Awards shall be paid or settled upon or within thirty (30) days of such Participant's termination of service. Notwithstanding the foregoing, with respect to any Award that is considered deferred compensation subject to Section 409A of the Code, settlement of such Award shall be made pursuant to its original schedule if necessary to comply with Section 409A of the Code.

11.3 Cashout of Awards.

(a) Unless otherwise provided for in an Award agreement and subject to the requirements of Section 11.1, in the event of a Change in Control, with respect to any outstanding Option or SAR, the Committee shall have discretion to cause a cash payment to be made to the person who then holds such Option or SAR, in lieu of the right to exercise such Option or SAR or any portion thereof. In the event the Committee exercises its discretion to cause such cash payment to be made, the amount of such cash payment shall be equal to the amount by which (i) the aggregate fair market value (on the date of the Change in Control) of the Shares that are subject to such Option or SAR exceeds (ii) the aggregate Exercise Price under such Option or SAR. If the aggregate fair market value (on the date of the Change in Control) of the Shares that are subject to such Option or SAR is less than the aggregate Exercise Price or Grant Price (as applicable) of such Shares under such Option or SAR, such Option or SAR shall be cancelled without any payment.

(b) Unless otherwise provided for in an Award agreement and subject to the requirements of Section 11.1, in the event of a Change in Control, with respect to an Award (other than an Option or SAR) that would otherwise be payable in Shares, the Committee shall have discretion to cause the payment of such Award to be made in cash instead of Shares. In the event the Committee exercises its discretion to cause such cash payment to be made, the amount of such cash payment shall be equal to the aggregate Fair Market Value, on the date of the Change in Control, of the Shares that would otherwise then be payable under such Award.

(c) In the event the terms of a transaction impose an escrow, holdback, earnout or similar condition on payments to shareholders of the Company, the Committee may, in its discretion, require that amounts payable to Participants under or with respect to any Award in connection with such transaction also be subject to escrow, holdback, earnout or similar conditions on similar terms and conditions as such provisions apply to the shareholders of the Company, provided, however, that any such payments are required to be made by the fifth anniversary of such transaction or otherwise comply with Section 409A of the Code.

SECTION 12. LIMITATIONS ON RIGHTS.

12.1 Participant Rights. A Participant's rights, if any, in respect of or in connection with any Award is derived solely from the discretionary decision of the Company to permit the individual to participate in the Plan and to benefit from a discretionary Award. By accepting an Award under the Plan, a Participant will be deemed to have agreed to the terms of the Award and the Plan, and expressly acknowledges that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards. Any Award granted hereunder is not intended to be compensation of a continuing or recurring nature, or part of a Participant's normal or expected compensation, and in no way represents any portion of a Participant's salary, compensation, or other remuneration for purposes of pension benefits, severance, redundancy, resignation or any other purpose. The existence of the Plan or the grant of any Award will not in any way affect the Company's right to award a person bonuses or other compensation in addition to Awards under the Plan.

Neither the Plan nor any Award granted under the Plan shall be deemed to give any individual a right to remain an Employee, Consultant or Director. The Company and its Parents and Subsidiaries and Affiliates reserve the right to terminate the Service of any person at any time, and for any reason, subject to applicable laws and a written employment agreement (if any), and such terminated person shall be deemed irrevocably to have waived any claim to damages or specific performance for breach of contract or dismissal, compensation for loss of office, tort or otherwise with respect to the Plan or any outstanding Award that is forfeited and/or is terminated by its terms or to any future Award. The loss of existing or potential profit in Awards will not constitute an element of damages in the event of termination of Service for any reason, even if the termination is in violation of an obligation of the Company or any Affiliate to the Participant.

12.2 Stockholders' Rights. A Participant shall have no dividend rights, voting rights or other rights as a Stockholder with respect to any Shares covered by his or her Award prior to the issuance of such Shares (as evidenced by an appropriate entry on the books of the Company or a duly authorized transfer agent of the Company). No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date when such Shares are issued, except as expressly provided in Section 10.

12.3 Regulatory Requirements. Any other provision of the Plan notwithstanding, the obligation of the Company to issue Shares or other securities under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Company reserves the right to restrict, in whole or in part, the delivery of Shares or other securities pursuant to any Award prior to the satisfaction of all legal requirements relating to the issuance of such Shares or other securities, to their registration, qualification or listing or to an exemption from registration, qualification or listing.

12.4 Section 409A. Awards under the Plan are intended either to be exempt from the rules of Section 409A of the Code or to satisfy those rules, and the Plan and such Awards shall be construed accordingly. Granted Awards may be modified at any time, in the Committee's discretion, so as to increase the likelihood of exemption from or compliance with the rules of Section 409A of the Code, so long as such modification does not result in a reduction in value to the applicable Participant (unless the Participant consents in writing to such modification). Notwithstanding anything to the contrary in the Plan, neither the Company, any Subsidiary, nor the Board, nor any person acting on behalf of the Company, any Subsidiary, or the Board, shall be liable to any Participant or to the estate or beneficiary of any Participant or to any other holder of an Award by reason of any acceleration of income, or any additional tax, asserted by reason of the failure of an Award to satisfy the requirements of Section 409A of the Code.

If a Participant is a "specified employee" as defined in Section 409A of the Code (and as applied according to procedures of the Company and its Affiliates) as of his separation from service, to the extent any payment under this Plan or pursuant to the grant of an Award constitutes deferred compensation (after taking into account any applicable exemptions from Section 409A of the Code), and to the extent required by Section 409A of the Code, no payments due under this Plan or pursuant to an Award may be made until the earlier of: (i) the first day of the seventh month following the Participant's separation from service, or (ii) the Participant's date of death; provided, however, that any payments delayed during this six-month period shall be paid in the aggregate in a lump sum, without interest, on the first day of the seventh month following the Participant's separation from service.

12.5 Additional Restrictions. The Committee may cancel, rescind, withhold or otherwise limit or restrict any Award at any time if the Participant is not in compliance with all applicable provisions of the Award agreement and the Plan, or if the Participant breaches any agreement with the Company or its Subsidiaries or Affiliates with respect to non-competition, non-solicitation or confidentiality. Without limiting the generality of the foregoing, the Committee may recover Awards made under the Plan and payments under or gain in respect of any Award to the extent required to comply with any Company policy or Section 10D of the Securities Exchange Act of 1934, as amended, or any stock exchange or similar rule adopted under said Section or any other applicable law or regulation.

SECTION 13. WITHHOLDING TAXES.

13.1 General. A Participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with his or her Award. The Company shall not be required to issue any Shares or make any cash payment under the Plan until such obligations are satisfied.

13.2 Share Withholding. If a public market for the Company's Shares exists, the Committee may permit a Participant to have the Company withhold all or a portion of any Shares that otherwise would be issued to him or her or by surrendering all or a portion of any Shares that he or she previously acquired in satisfaction of all or a part of his or her withholding or income tax obligations (but not in excess of the maximum statutory withholding rate). Such Shares shall be valued based on the value of the actual trade or, if there is none, the Fair Market Value as of the previous day. Any payment of taxes by assigning Shares to the Company may be subject to restrictions, including, but not limited to, any restrictions required by rules of the SEC. The Committee may, in its discretion, also permit a Participant to satisfy withholding or income tax obligations related to an Award through Cashless Exercise or through a sale of Shares underlying the Award.

SECTION 14. DURATION AND AMENDMENTS.

14.1 Term of the Plan. The Plan shall become effective upon its approval by Company stockholders. The Plan shall terminate on the seventh anniversary of the Effective Date and may be terminated on any earlier date pursuant to this Section 14, but previously granted Awards may continue beyond that date in accordance with their terms.

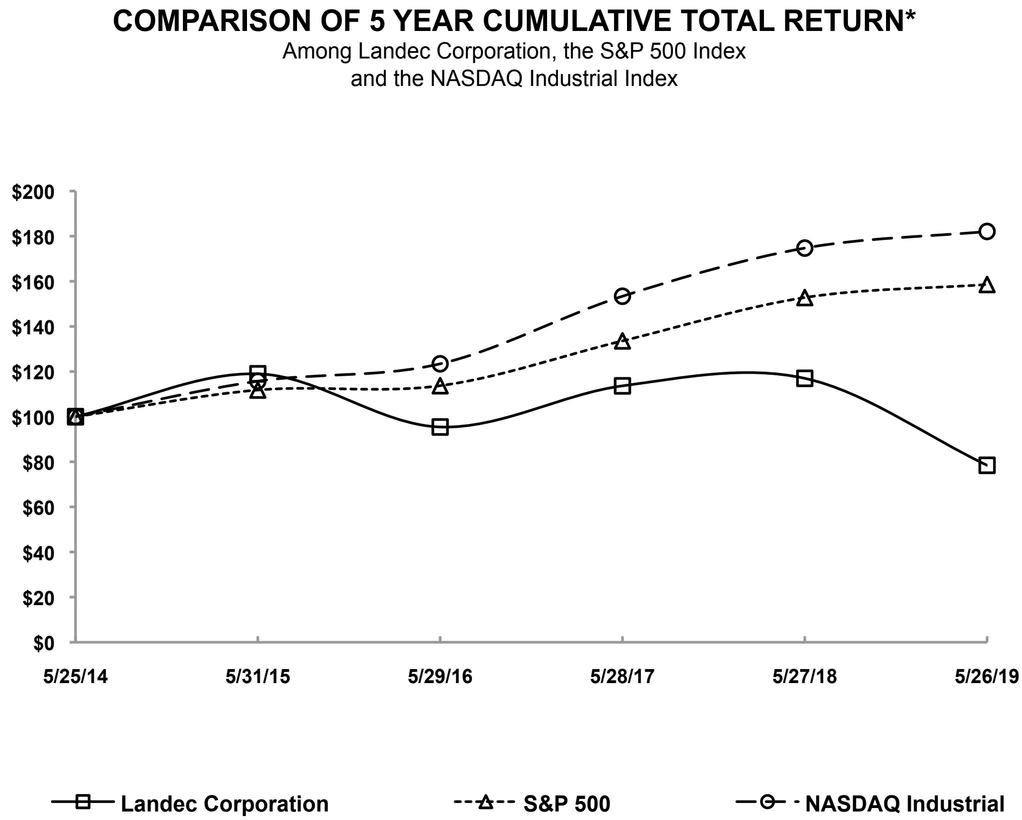
14.2 Right to Amend or Terminate the Plan. The Board may amend or terminate the Plan at any time and for any reason. Any such termination of the Plan, or any amendment thereof, shall not impair in any material respect any Award previously granted under the Plan. No Awards shall be granted under the Plan after the Plan's termination. An amendment of the Plan shall be subject to the approval of the Company's stockholders only to the extent such approval is required by applicable laws, regulations or rules (including the Code and applicable stock exchange requirements).

14.3 Except as contemplated by Section 10 or 11 of the Plan, the Company may not, without obtaining stockholder approval, (a) amend the terms of outstanding Options or SARs to reduce the Exercise Price of such Options or SARs, (b) cancel outstanding Options or SARs in exchange for Options or SARs with an Exercise Price that is less than the Exercise Price of the original Options or SARs, or (c) cancel outstanding Options or SARs that have an Exercise Price greater than the Fair Market Value of a share on the date of such cancellation in exchange for cash or other consideration.

SECTION 15. WAIVER OF JURY TRIAL

By accepting an Award under the Plan, each Participant waives any right to a trial by jury in any action, proceeding or counterclaim concerning any rights under the Plan and any Award, or under any amendment, waiver, consent, instrument, document or other agreement delivered or which in the future may be delivered in connection therewith, and agrees that any such action, proceedings or counterclaim will be tried before a court and not before a jury. By accepting an Award under the Plan, each Participant certifies that no officer, representative, or attorney of the Company has represented, expressly or otherwise, that the Company would not, in the event of any action, proceeding or counterclaim, seek to enforce the foregoing waivers. Notwithstanding anything to the contrary in the Plan, nothing herein is to be construed as limiting the ability of the Company and a Participant to agree to submit disputes arising under the terms of the Plan or any Award made hereunder to binding arbitration or as limiting the ability of the Company to require any eligible individual to agree to submit such disputes to binding arbitration as a condition of receiving an Award hereunder.

The graph below matches Landec Corporation's cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the S&P 500 index and the NASDAQ Industrial index. The graph tracks the performance of a $100 investment in our common stock and in each index (with the reinvestment of all dividends) from 5/25/14 to 5/26/19.



*$100 invested on 5/25/14 in stock or 5/31/14 in index, including reinvestment of dividends.
Indexes calculated on month-end basis.

	5/25/14	5/31/15	5/29/16	5/28/17	5/27/18	5/26/19
Landec Corporation	100.00	118.98	95.42	113.66	116.99	78.43
S&P 500	100.00	111.81	113.72	133.59	152.81	158.59
NASDAQ Industrial	100.00	115.73	123.42	153.38	174.72	182.09

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

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

FORM 10-K

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

For the Fiscal Year Ended May 26, 2019, or

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

For the Transition period for _________ to _________.

Commission file number: **0-27446**

LANDEC CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**94-3025618**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes _X_ No ___

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

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

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

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

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

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $351,940,000 as of November 23, 2018, 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, 2019, there were 29,146,293 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its October 2019 Annual Meeting of Stockholders which statement will be filed not later than 120 days after the end of the fiscal year covered by this report, are incorporated by reference in Part III hereof.

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LANDEC CORPORATION
ANNUAL REPORT ON FORM 10-K

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Financials

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PART I
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 “projected,” “expects,” “believes,” “intends,” “assumes” and similar expressions are used to identify forward-looking statements. These statements are made based upon current expectations and projections about our business and assumptions made by our management and are not guarantees of future performance, nor do we assume any obligation to update such forward-looking statements after the date this report is filed. Our actual results could differ materially from those projected in the forward-looking statements for many reasons, including the risk factors listed in Item 1A. “Risk Factors” and the factors discussed below.

Item 1. *Business*

Corporate Overview

Landec Corporation and its subsidiaries (“Landec” or the “Company”) design, develop, manufacture and sell differentiated health and wellness products for food and biomaterials markets. There continues to be a dramatic shift in consumer behavior to healthier eating habits and preventive wellness to improve quality of life. In our Curation Foods, Inc. business (formerly known as Apio, Inc., see below for further discussion on the renaming of our natural foods business), we are committed to offering healthy, fresh produce products conveniently packaged to consumers. In our Lifecore Biomedical, Inc. (“Lifecore”) biomaterials business, we commercialize products that enable people to stay more active as they grow older.

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

With the discontinuation of the Food Export business in the fourth quarter of fiscal 2018, Landec has three reportable business segments – Curation Foods and Lifecore, each of which is described below, and an Other segment. During the fourth quarter of fiscal year 2019 the Company discontinued its Now Planting® business. The operating results for the Food Export and Now Planting businesses are presented as a discontinued operation in the Company's accompanying Consolidated Financial Statements and the financial results for fiscal years 2019, 2018, and 2017.

Financials

Curation Foods

On January 11, 2019, the Company marked the completion of its transition from a packaged fresh vegetables company to a branded, natural foods company by changing the name of its food business from Apio, Inc (“Apio”) to Curation Foods, Inc. Curation Foods will serve as the corporate umbrella for a portfolio of four natural food brands, including the Company’s flagship brand Eat Smart® as well as its three emerging natural foods brands, O Olive Oil & Vinegar® ("*O*") products, and Yucatan® and Cabo Fresh® authentic guacamole and avocado products that were acquired by the Company through the acquisition of Yucatan Foods, Inc. on December 1, 2018.

The Company sells specialty packaged Eat Smart branded salads and private label fresh-cut vegetables and whole produce to retailers, club stores, and food service operators, primarily in the United States and Canada. The Company also sells premier California specialty *O* olive oils and wine vinegars to natural food, conventional grocery and mass retail stores primarily in the United States and Canada. The majority of Yucatan and Cabo Fresh guacamole and avocado food products are sold in the U.S. grocery channel, but they are also sold in U.S. mass retail, Canadian grocery retail and foodservice channels.

The Eat Smart brand combines our proprietary BreatheWay® food packaging technology with the capabilities of a large national food supplier and value-added produce processor to foodservice operators, as well as under private labels. Within the Eat Smart brand, produce is processed by trimming, washing, sorting, blending, and packaging into bags and trays that in most cases incorporate Landec’s BreatheWay membrane technology. The BreatheWay membrane increases shelf-life and reduces shrink (waste) for retailers and helps to ensure that consumers receive fresh produce by the time the product makes its way through the distribution chain. Curation Foods also generates revenue from the sale and/or use of its BreatheWay technology by partners such as Windset Holding 2010 Ltd., a Canadian corporation (“Windset”), for packaging of greenhouse grown cucumbers and peppers.

Lifecore

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

Landec was incorporated in California on October 31, 1986 and reincorporated as a Delaware corporation on November 6, 2008. Our common stock is listed on The NASDAQ Global Select Market under the symbol "LNDC". The Company's principal executive offices are located at 5201 Great America Parkway, Suite 232, Santa Clara, California 95054, and the telephone number is (650) 306-1650.

Description of Core Business

Landec operates its business in three reportable business segments: Curation Foods, Lifecore, and Other.

Curation Foods

The Curation Foods business is comprised of Curation Foods' packaged fresh vegetables business sold primarily under the Eat Smart brand, *O* branded olive oils and wine vinegars, and Yucatan and Cabo Fresh guacamole and avocado food products.

Eat Smart Packaged Fresh Vegetables

Financials

Based in Santa Maria, California, Curation Foods' primary business is the processing, marketing and selling of vegetable-based salads and fresh-cut and whole vegetable products primarily packaged in its proprietary BreatheWay packaging. The packaged fresh vegetables business markets a variety of salads and fresh-cut and whole vegetables to the top retail grocery chains, club stores, and food service operators.

There are four major distinguishing characteristics of Curation Foods that provide competitive advantages in the Company's Eat Smart packaged fresh vegetables market:

Packaged Salads and Vegetables Supplier: Curation Foods has structured its packaged fresh vegetables business as a marketer and seller of branded and private label blended, salads and fresh-cut and whole vegetable products. It is focused on selling products primarily under its Eat Smart brand and private label brands. As retail grocery chains, club stores and food service operators consolidate, Curation Foods is well positioned as a single source of a broad range of products.

Nationwide Processing and Distribution: Curation Foods has strategically invested in its salads and fresh-cut vegetables business. Curation Foods' largest processing plant is in Guadalupe, CA, and is automated with state-of-the-art vegetable processing equipment in one of the lower cost, growing regions in California, the Santa Maria Valley. Curation Foods also has three East Coast processing facilities and five East Coast distribution centers for nationwide delivery of all of its packaged salads and vegetable products in order to meet the next-day delivery needs of customers.

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

Products Currently in Approximately 67% of North American Retail Grocery Stores: Curation Foods' packaged fresh vegetables business has products in approximately 67% of all North American retail grocery stores. This gives Curation Foods the opportunity to sell new products to existing customers and to increase distribution of its approximately 120 unique packaged fresh vegetable products within those customers.

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

The Company also periodically licenses its BreatheWay packaging technology to partners for packaging fruits and vegetables, and Windset for packaging peppers and cucumbers that are grown hydroponically in greenhouses. These packaging license relationships generate revenues either from product sales or royalties once commercialized. The Company is engaged in the testing and development of other BreatheWay products. Landec manufactures its BreatheWay packaging through selected qualified contract manufacturers.

Windset

The Company believes that hydroponically-grown produce using Windset's know-how and growing practices will result in higher yields with competitive growing costs that will provide dependable year-round supply to Windset's customers. In addition, the produce grown in Windset's greenhouses uses significantly less water than field grown crops and has a very high safety profile as no soil is used in the growing process. Windset owns and operates greenhouses in British Columbia, Canada and California. In addition to growing produce in its own greenhouses, Windset has numerous marketing arrangements with other greenhouse growers and utilizes buy/sell arrangements to meet fluctuation in demand from their customers.

O Olive Oils & Vinegars

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 and Cabo Fresh

The Company acquired Yucatan Foods on December 1, 2018. Yucatan Foods, founded in 1991, is based in Los Angeles, California. As part of the acquisition of Yucatan Foods, Curation Foods acquired the newly built production facility in Guanajuato, Mexico. The Yucatan Foods business adds another double-digit growth platform, a lower-cost infrastructure in Mexico, and higher margin product offerings that generally exhibit less sourcing volatility.

Lifecore

Lifecore is involved in the manufacture of pharmaceutical-grade sodium hyaluronate in bulk form as well as formulated and filled syringes and vials for injectable products used in treating a broad spectrum of medical conditions and procedures. Lifecore leverages its fermentation process to manufacture premium, pharmaceutical-grade HA and uses its aseptic filling capabilities to deliver private-label HA and non-HA finished products to its customers.

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

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. Elements of Lifecore's strategy include the following:

Establish strategic relationships with market leaders: Lifecore will continue to develop applications for products with partners who have strong marketing, sales, and distribution capabilities to end-user markets. Through its strong reputation and history of providing pharmaceutical grade HA and products, Lifecore has been able to establish long-term relationships with the market leading ophthalmic surgical companies, and leverages those partnerships to attract new relationships in other medical markets.

Expand medical applications for HA: Due to the growing knowledge of the unique characteristics of HA, and the role it plays in normal physiology, Lifecore continues to identify and pursue opportunities for the use of HA in other medical applications, such as wound care, aesthetic surgery, drug delivery, next generation orthopedics and device coatings, and through sales to academic and corporate research customers. Further applications may involve expanding process development activity and/or additional licensing of technology.

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

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

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.

Technology Overview

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

Intelimer Polymers

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

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

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

BreatheWay Membrane Packaging

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

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

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

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

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

Sodium Hyaluronate (HA)

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

Sodium hyaluronate was first demonstrated to have commercial medical utility as a viscoelastic solution in cataract surgery. In this application, it is used for maintaining the space in the anterior chamber and protecting corneal tissue during the removal and implantation of intraocular lenses. HA-based products have gained widespread acceptance in ophthalmology and are currently used in the majority of cataract extraction procedures in the world. HA has also become a significant component in several products used in orthopedics. Lifecore's HA is used as a viscous carrier for allogeneic freeze-dried demineralized bone used in spinal surgery, and as the active component of devices to treat the symptoms of osteoarthritis, and as a component to provide increased lubricity to medical devices. Lifecore's HA has also been utilized in veterinary drug applications to treat traumatic arthritis.

Sales and Marketing

Curation Foods is supported by dedicated sales and marketing resources located in central California and throughout the U.S. and Canada.

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

Seasonality

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

Manufacturing and Processing

Curation Foods

Eat Smart Packaged Fresh Vegetables

Packaged fresh vegetable products and fresh-cut packaged green beans are processed in the Company's facilities located in Guadalupe, California; Bowling Green, Ohio; Hanover, Pennsylvania; and Vero Beach, Florida. Cooling of produce is done through third parties and its own in-house cooling through its various cooling systems.

BreatheWay packaging products are comprised of 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.

O Olive Oils & Vinegars

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.

Lifecore

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

Lifecore's facilities in Chaska, Minnesota are used primarily 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. 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.

Patents and Proprietary Rights

The Company's success depends in large part on its ability to obtain patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties. The Company has had approximately 50 U.S. patents issued of which 23 remain active as of May 26, 2019 with expiration dates ranging from 2019 to 2031. There can be no assurance that any of the pending patent applications will be approved, that the Company will develop additional proprietary products that are patentable, that any patents issued to the Company will provide the Company with competitive advantages, will not be challenged by any third parties or that the patents of others will not prevent the commercialization of products incorporating the Company's technology. Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of the Company's products or design around the Company's patents. Any of the foregoing results could have a material adverse effect on the Company's business, operating results and financial condition.

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 US, 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 US facilities and food products must be in compliance with the Federal Food, Drug, and Cosmetic Act (FDC Act) as amended by, among other things, the FDA Food Safety Modernization Act (FSMA). In addition, our operations in Mexico are subject to Mexican regulations through the SAGARPA, and our food products sold into Canada must be in compliance with applicable Canadian food safety and labeling regulations.

Lifecore

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

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

Employees

As of May 26, 2019, Landec had 736 full-time employees, of whom 585 were dedicated to research, development, manufacturing, quality control and regulatory affairs, and 151 were dedicated to sales, marketing and administrative activities. Landec intends to recruit additional personnel in connection with the development, manufacturing and marketing of its products. None of Landec's employees are represented by a union, and Landec considers its relationship with its employees to be good.

Available Information

Landec's website is http://www.landec.com. Landec makes available free of charge its annual, quarterly and current reports, and any amendments to those reports, as soon as reasonably practicable after electronically filing such reports with the SEC. Information contained on our website is not part of this Report.

Item 1A. *Risk Factors*

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

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

Our Packaged Fresh Vegetables business is subject to weather conditions that affect commodity prices, crop quality and yields, and crop varieties to be planted. Crop diseases and severe conditions, particularly weather conditions such as unexpected or excessive rain or other precipitation, unseasonable temperature fluctuations, floods, droughts, frosts, windstorms, earthquakes and hurricanes, may adversely affect the supply of vegetables and fruits used in our business, which could reduce the sales volumes and/or increase the unit production costs. The Company 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.

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.

Our Future Operating Results Are Likely to Fluctuate Which May Cause Our Stock Price to Decline

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

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

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

Our Operations Are Subject to Regulations that Directly Impact Our Business

Our products and operations are subject to governmental regulation in the United States and foreign countries. The manufacture of our products is subject to detailed standards for product development, manufacturing controls, ongoing quality monitoring and analysis, and periodic inspection by regulatory authorities. We may not be able to obtain necessary regulatory approvals on a timely basis or at all. Delays in receipt of or failure to receive approvals or loss of previously received approvals would have a material adverse effect on our business, financial condition and results of operations. A significant portion of Curation Foods's manufacturing workforce is provided by third-party labor contractors. The Company relies upon these contractors to validate the worker's immigration status and their eligibility to work in the Company's facilities, and failure of these contractors' control processes or our internal control processes could result in 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 its products under development are considered to be medical devices, drug products, or combination products, and therefore, require clearance or approval by the FDA before commercial sales can be made in the United States. The products also require the approval of foreign government agencies before sales may be made in many other countries. The process of obtaining these clearances or approvals varies according to the nature and use of the product. It can involve lengthy and detailed safety and efficacy data, including clinical studies, as well as extensive site inspections and lengthy regulatory agency reviews. There can be no assurance that any of the Company’s clinical studies will be authorized to proceed, or if authorized will show safety or effectiveness; that any of the Company’s products that require FDA clearance or approval will obtain such clearance or approval on a timely basis, on terms acceptable to the Company for the purpose of actually marketing the products, or at all; or that following any such clearance or approval previously unknown problems will not result in restrictions on the marketing of the products or withdrawal of clearance or approval.

In addition, most of the existing products being sold by Lifecore and its customers are subject to continued regulation by the FDA, various state agencies and foreign regulatory agencies, which regulate the design, 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 or could cause our manufacturing operations to be suspended and changes in environmental regulations may impose the need for additional capital equipment or other requirements.

Any New Business Acquisition Will Involve Uncertainty Relating to Integration

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

We May Not Be Able to Achieve Acceptance of Our New Products in the Marketplace

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

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

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

Changes to U.S. Trade Policy, Tariff and Import/Export Regulations May Have a Material Adverse Effect on our Business

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

As a result of recent policy changes of the U.S. presidential administration and recent U.S. government proposals, there may be greater restrictions and economic disincentives on international trade. The new 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.

We Have a Concentration of Manufacturing for Curation Foods and Lifecore and May Have to Depend on Third Parties to Manufacture Our Products

Any disruptions in our primary manufacturing operations at Curation Foods' facilities in Guadalupe, CA, Bowling Green, OH, Hanover, PA, or Guanajuato, Mexico, or Lifecore's facilities in Chaska, MN would reduce our ability to sell our products and would have a material adverse effect on our financial results. Additionally, we may need to consider seeking collaborative arrangements with other companies to manufacture our products. If we become dependent upon third parties for the manufacture of our products, our profit margins and our ability to develop and deliver those products on a timely basis may be adversely affected. In that event, additional regulatory inspections or approvals may be required, and additional quality control measures would need to be implemented. Failures by third parties may impair our ability to deliver products on a timely basis and impair our competitive position. We may not be able to continue to successfully operate our manufacturing operations at acceptable costs, with acceptable yields, and retain adequately trained personnel.

We Are Dependent on Our Key Employees and if One or More of Them Were to Leave, We Could Experience Difficulties in Replacing Them, or Effectively Transitioning Their Replacements and Our Operating Results Could Suffer

Financials

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

We Are Subject to the Risks of Doing Business Internationally

We are subject to the risks of doing business internationally. We conduct a substantial amount of business with growers and customers who are located outside the United States. We purchase avocados from foreign growers and packers, sell fresh avocados and processed avocado 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. Further, in July of 2018, Mexico elected a new president to office, Andres Manuel Lopez Obrador. Neither the increase in organized crime nor the election of a new president in Mexico has had a significant impact on our operations, but both highlight certain risks of doing business abroad. 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 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 2019, approximately 19% 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

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

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

We have an infrastructure that has sufficient capacity for our on-going production needs, but if our machinery or facilities are damaged or impaired due to natural disasters or mechanical failure, we may not be able to operate at a sufficient capacity to meet our production needs. This could have a material adverse effect on our business, which could impact our results of operations and our financial condition.

We Depend on Strategic Partners and Licenses for Future Development

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

Our Reputation and Business May Be Harmed if Our Computer Network Security or Any of the Databases Containing Our Trade Secrets, Proprietary Information or the Personal Information of Our Employees Are Compromised

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

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

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

We May Be Unable to ***Adequately Protect Our Intellectual Property Rights or May Infringe Intellectual Property Rights of Others***

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

The Global Economy is ***Experiencing Continued Volatility, Which May Have an Adverse Effect on Our Business***

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

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

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

During the fiscal year ended May 26, 2019, sales to the Company's top five customers accounted for approximately 43% of total revenue with the top two customers from the Curation Foods segment, Costco Corporation and Wal-mart, Inc. accounting for approximately 14% and 16%, respectively, of total revenues. We expect that, for the foreseeable future, a limited number of customers may continue to account for a substantial portion of our revenues. We may experience changes in the composition of our customer base as we have experienced in the past. The reduction, delay or cancellation of orders from one or more major customers for any reason or the loss of one or more of our major customers could materially and adversely affect our business, operating results and financial condition. In addition, since some of the products processed by 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 Stock Price May Fluctuate in Response to Various Conditions, Many of Which Are Beyond Our Control

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

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

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

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

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

We May Issue Preferred Stock with Preferential Rights that Could Affect Your Rights

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

We Have Never Paid Any Dividends on Our Common Stock

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

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

None.

Item 2. ***Properties***

As of May 26, 2019, the Company owned or leased the following principle physical properties:

Location	Business Segment	Ownership	Facilities
Guadalupe, CA	Curation Foods	Owned	199,000 square feet of office space, manufacturing and cold storage
Chaska, MN............	Lifecore	Owned	147,300 square feet of office, laboratory and manufacturing space
Silao, Guanajuato, Mexico.................	Curation Foods	Leased	97,000 square feet of office and manufacturing space
Chaska, MN............	Lifecore	Leased	65,000 square feet of office, manufacturing and warehouse space
Hanover, PA	Curation Foods	Owned	64,000 square feet of office space, manufacturing and cold storage
Bowling Green, OH	Curation Foods	Owned	55,900 square feet of office space, manufacturing and cold storage
Ontario, CA	Curation Foods	Leased	54,300 square feet of office and manufacturing space
Santa Maria, CA	Curation Foods	Leased	36,300 square feet of office and laboratory space
Petaluma, CA..........	Curation Foods	Leased	18,400 square feet of office and manufacturing space
Rock Hill, SC..........	Curation Foods	Owned	16,400 square feet of cold storage and office space

In addition to the principal physical properties described above, the Company owns or leases a number of other facilities and land in various locations in the United States that are used for manufacturing, cold storage, and administration activities. Leases for these leased facilities expire at various dates through the year 2030. 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***

In the ordinary course of business, the Company is involved in various legal proceedings and claims. We believe that it is unlikely that any of these actions will have a material adverse impact on our operating results; however, because of the inherent uncertainties of litigation, the outcome of any of these actions could be unfavorable and could have a material adverse effect on our financial condition, results of operations or cash flows. For additional information about our material legal proceedings, please see Note 9, Commitments and Contingencies, of the accompanying notes to the consolidated financial statements.

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

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

Market Information

The Common Stock is traded on The NASDAQ Global Select Market under the symbol "LNDC". The following table sets forth for each period indicated the high and low sales prices for the Common Stock.

Fiscal Year Ended May 26, 2019	High	Low
4th Quarter ended May 26, 2019	$ 13.24	$ 9.02
3rd Quarter ended February 24, 2019	$ 15.57	$ 10.17
2nd Quarter ended November 25, 2018	$ 14.90	$ 12.55
1st Quarter ended August 26, 2018	$ 15.60	$ 13.03

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

Holders

As of July 26, 2019, there were approximately 49 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 26, 2019, 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.

Item 6. ***Selected Financial Data***

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

	Year Ended				
(In thousands, except per share amounts)	May 26, 2019	May 27, 2018	May 28, 2017	May 29, 2016	May 31, 2015
Statements of Operations Data:	(1)	(1)	(1)	(1)	(1)
Product sales	$ 557,559	$ 524,227	$ 469,776	$ 476,918	$ 471,420
Net income (loss) from continuing operations	2,122	25,761	10,135	(11,990)	12,684
Net income (loss) from continuing operations, per share					
Basic	$ 0.07	$ 0.93	$ 0.37	$ (0.45)	$ 0.46
Diluted	$ 0.07	$ 0.92	$ 0.36	$ (0.45)	$ 0.46
Balance Sheet Data:					
Total assets	$ 519,091	$ 404,703	$ 358,608	$ 342,653	$ 346,465
Total debt, net	148,984	69,300	50,239	58,162	42,519

(1) During the fourth quarters of fiscal year 2019 and fiscal year 2018, the Company made the decision to discontinue its Now Planting and Food Export businesses, respectively. As a result, the Company met the requirements of Accounting Standards Codifications ("ASC") 205-20, *Presentation of Financial Statements – Discontinued Operations* ("ASC 205-20"), to report the results of and to classify the assets and liabilities of the Now Planting and Food Export businesses as discontinued operations. The operating results for the Now Planting business, which was launched during the second quarter of fiscal year 2019, have been presented as a discontinued operation in fiscal year 2019. The operating results for the Food Export business have been presented as a discontinued operation in fiscal year 2018, and have been reclassified as a discontinued operation in fiscal years 2017, 2016, and 2015.

Financials

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

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements contained in Item 8 of this report. Except for the historical information contained herein, the matters discussed in this report are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. These forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Potential risks and uncertainties include, without limitation, those mentioned in this report and, in particular, the factors described in Item 1A. "Risk Factors." Landec undertakes no obligation to revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this report.

Overview

Landec Corporation and its subsidiaries ("Landec" or the "Company") design, develop, manufacture and sell differentiated health and wellness products for food and biomaterials markets. There continues to be a dramatic shift in consumer behavior to healthier eating habits and preventive wellness to improve quality of life. In our Curation Foods, Inc. business, we are committed to offering healthy, fresh produce products conveniently packaged to consumers. In our Lifecore Biomedical, Inc. ("Lifecore") biomaterials business, we commercialize products that enable people to stay more active as they grow older.

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

Landec has three reportable business segments – Curation Foods and Lifecore, each of which is described below, and an Other segment. The Other segment operating results for the year ended May 27, 2018 and May 28, 2017 have been restated to reflect the reclassification of *O* operating results from the Other segment to the Curation Foods segment.

Critical Accounting Policies and Use of Estimates

Use of Estimates

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

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

Revenue Recognition

See Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies for a discussion of the types of revenue earned at each segment.

Goodwill and Other Intangibles

The Company's intangible assets are comprised of finite-lived customer relationships and indefinite-lived trademarks/trade names and goodwill. The Company tests its indefinite-lived intangible assets for impairment at least annually, in accordance with accounting guidance. See Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies for a discussion of how the Company accounts for goodwill and other intangibles.

Income Taxes

The Company accounts for income taxes in accordance with accounting guidance which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax basis of recorded assets and liabilities. See Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies for a discussion of how the Company accounts for income taxes.

Stock-Based Compensation

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

Derivative Financial Instruments

The Company entered into interest rate swap agreements to manage interest rate risk. This derivative instrument may offset a portion of the changes in interest expense, and the Company designates this derivative instrument as a cash flow hedge. See Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies for a discussion of how the Company accounts for its interest rate swaps.

Fair Value Measurements

The Company uses fair value measurement accounting for financial assets and liabilities and for financial instruments and certain other items measured at fair value. See Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies for a discussion of how the Company accounts for its investment in a non-public company and for its interest rate swaps.

Recent Accounting Pronouncements

Refer to "Recent Accounting Pronouncements" in Note 1 - Organization, Basis of Presentation, and Summary of Significant Accounting Policies of this Annual Report 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 three integrated activities: (1) aseptically filled syringes and vials, (2) fermentation products, and (3) development activities.

(In thousands, except percentages)	Year Ended		Change		Year Ended		Change	
	May 26, 2019	May 27, 2018	Amount	%	May 27, 2018	May 28, 2017	Amount	%
Curation Foods	$ 481,686	$ 458,800	$ 22,886	5%	$ 458,800	$ 410,384	$ 48,416	12%
Lifecore	75,873	65,427	10,446	16%	65,427	59,392	6,035	10%
Total Revenues	$ 557,559	$ 524,227	$ 33,332	6%	$ 524,227	$ 469,776	$ 54,451	12%

Curation Foods

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

The increase in Curation Foods' revenues for fiscal year 2018 compared to fiscal year 2017 was primarily due to a 9.0% increase in Eat Smart's unit volume sales with a majority of the increase in revenues coming from increased sales of our salad products which are higher priced products compared to the Company's lower priced core products whose sales increased 4.0% in fiscal year 2018 compared to fiscal year 2017. Additionally, the increase in Curation revenues for fiscal year 2018 compared to fiscal year 2017 was due to $3.8 million of revenues from the *O* business that was acquired on March 1, 2017.

Lifecore

The increase in Lifecore's revenues for fiscal year 2019 compared to fiscal year 2018 was due to a $5.7 million increase in development services revenues, primarily from existing customers, and a $4.4 million increase in aseptic filling revenues due to higher sales to existing customers.

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

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 26, 2019	May 27, 2018	Amount	%	May 27, 2018	May 28, 2017	Amount	%
Curation Foods	$ 49,305	$ 49,770	$ (465)	(1%)	$ 49,770	$ 52,457	$ (2,687)	(5)%
Lifecore	31,698	28,568	3,130	11%	28,568	26,755	1,813	7%
Total Gross Profit	$ 81,003	$ 78,338	$ 2,665	3%	$ 78,338	$ 79,212	$ (874)	(1)%

Curation Foods

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

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

Lifecore

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

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

Operating Expenses:

Research and Development (R&D)

R&D consists primarily of product development and commercialization initiatives. R&D efforts 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 efforts are focused on new products and applications for HA-based and non-HA biomaterials. For Other, the R&D efforts are primarily focused on creating and developing new innovative lines of products.

(In thousands, except percentages)	Year Ended		Change		Year Ended		Change	
	May 26, 2019	May 27, 2018	Amount	%	May 27, 2018	May 28, 2017	Amount	%
Curation Foods	$ 5,444	$ 5,633	$ (189)	(3)%	$ 5,633	$ 1,846	$ 3,787	205%
Lifecore	5,085	5,360	(275)	(5)%	5,360	5,387	(27)	(1)%
Other	937	1,807	(870)	(48)%	1,807	2,240	(433)	(19)%
Total R&D	$ 11,466	$ 12,800	$ (1,334)	(10)%	$ 12,800	$ 9,473	$ 3,327	35%

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

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

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 26, 2019	May 27, 2018	Amount	%	May 27, 2018	May 28, 2017	Amount	%
Curation Foods	$ 45,828	$ 34,090	$ 11,738	34%	$ 34,090	$ 35,161	$ (1,071)	(3)%
Lifecore	6,618	5,878	740	13%	5,878	5,422	456	8%
Other	11,616	11,983	(367)	(3)%	11,983	11,908	75	1%
Total SG&A	$ 64,062	$ 51,951	$ 12,111	23%	$ 51,951	$ 52,491	$ (540)	(1)%

The increase in SG&A expenses for fiscal year 2019 compared to fiscal year 2018 was due to (1) a $11.7 million increase at Curation Foods primarily due to (a) $4.3 million of SG&A at Yucatan Foods, (b) $3.3 million of merger and acquisition costs, (c) a $4.1 million increase in SG&A expenses at Eat Smart, which included a $2.0 million impairment of the GreenLine tradename, and (d) an increase in consulting fees, most of which was associated with Curation Foods' cost saving initiatives, and (2) a $0.7 million increase at Lifecore due to new hires and increased salary and benefit expenses. These increases were partially offset by a $0.4 million decrease at Corporate primarily due to a $3.5 million reduction of the earnout liability associated with the *O* acquisition, partially offset by severance-related charges, legal fees, and consulting fees.

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

Other:

(In thousands, except percentages)	Year Ended		Change		Year Ended		Change	
	May 26, 2019	May 27, 2018	Amount	%	May 27, 2018	May 28, 2017	Amount	%
Dividend Income	$ 1,650	$ 1,650	$ —	—%	$ 1,650	$ 1,650	$ —	—%
Interest Income	145	211	(66)	(31)%	211	16	195	1,219%
Interest Expense	(5,230)	(1,950)	(3,280)	168%	(1,950)	(1,826)	(124)	7%
Loss on Debt Refinancing	—	—	—	—%	—	(1,233)	1,233	(100)%
Other Income	1,600	2,900	(1,300)	(45)%	2,900	900	2,000	222%
Income Tax (Expense) Benefit	(1,518)	9,363	(10,881)	N/M	9,363	(4,040)	13,403	N/M
Non-controlling Interest Expense	—	(94)	94	(100)%	(94)	(87)	(7)	8%

Dividend Income

Dividend income is derived from the dividends accrued on our $22.0 million preferred stock investment in Windset which yields a cash dividend of 7.5% annually. The Company sold its $7.0 million Preferred Senior B to Windset at the end of fiscal year 2019 and thus earned a full year of dividends on this investment during fiscal year 2019. There was no change in dividend income for the fiscal year ended May 26, 2019 compared to May 27, 2018 and the fiscal year ended May 27, 2018 compared to May 28, 2017.

Interest Income

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

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

Interest Expense

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

The increase in interest expense during fiscal year 2018 compared to fiscal year 2017 was not significant.

Loss on Debt Refinancing

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

Other Income

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

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

Income Tax (Expense) Benefit

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

As a result of the income tax benefit from the Tax Cuts and Jobs Act of 2017 (the “TCJA”), income taxes for fiscal year 2018 reflected a significant benefit as compared to fiscal year 2017 which reflected a tax expense based on pre-tax income.

Non-controlling Interest

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

The increase in non-controlling interest for fiscal year 2018 compared to fiscal year 2017 was not significant.

Liquidity and Capital Resources

As of May 26, 2019, the Company had cash and cash equivalents of $1.1 million, a net decrease of $1.8 million from $2.9 million at May 27, 2018.

Cash Flows from Operating Activities

The Company generated $16.0 million of cash from operating activities during fiscal year 2019 compared to generating $19.8 million of cash from operating activities during fiscal year 2018. The primary sources of cash from operating activities during fiscal year 2019 were from (1) $0.4 million of net income, (2) $18.8 million of depreciation/amortization and stock based compensation expense, and (3) $2.0 million of impairment of the GreenLine tradename. These sources of cash were offset by (1) a $1.6 million increase in fair value of the Windset investment and a $3.5 million decrease in the *O* earn-out liability, both of which are non-cash items and (2) a $1.2 million increase in working capital.

The primary factors for the increase in working capital during fiscal year 2019, were (1) a $8.9 million increase in accounts receivable due to a $11.4 million increase in accounts receivable at Lifecore primarily due to May 2019 revenues being $8.8 million higher than May 2018 revenues, partially offset by a $2.5 million decrease in Curation Foods' accounts receivable due to the timing of receipts, (2) a $10.9 million increase in inventory due to a $11.4 million increase in inventory at Curation Foods, which includes increased inventory volume as a result of the Yucatan Foods acquisition, and (3) a $2.4 million decrease in deferred revenue due to the timing of billings and shipments at Lifecore. These increases in working capital were partially offset by (1) a $19.1 million increase in accounts payable due to a $18.5 million increase in Curation Foods' accounts payable, which includes higher purchasing volume as a result of the Yucatan Foods acquisition and (2) a $1.6 million decrease in prepaid expenses and other current assets primarily related to the timing of grower advances for raw products at Curation Foods.

Cash Flows from Investing Activities

Net cash used in investing activities for fiscal year 2019 was $96.8 million compared to $35.6 million for the same period last year. The use of cash in investing activities during fiscal year 2019 was primarily due to the $59.9 million in cash paid for the Yucatan Foods acquisition and from the purchase of $44.7 million of equipment to support the growth of the Curation Foods and Lifecore businesses. The net cash used in investing activities was partially offset by $7.0 million received from the Company's exercise of the put feature on its Senior B preferred shares in Windset.

Cash Flows from Financing Activities

Net cash provided by financing activities for fiscal year 2019 was $79.0 million compared to $13.3 million for the same period last year. The net cash provided by financing activities during fiscal year 2019 was primarily due to $60.0 million of borrowings under the Company's term loan to fund the Yucatan Foods acquisition and from a $25.0 million increase in the Company's line of credit, primarily to fund a portion of the $44.7 million of equipment purchases and to pay down long-term debt by $5.1 million.

Capital Expenditures

During fiscal year 2019, Landec incurred expenditures for facility expansions and purchased equipment to support the growth of the Curation Foods and Lifecore businesses. These expenditures represented the majority of the $44.7 million of capital expenditures.

Debt

On September 23, 2016, the Company entered into a Credit Agreement with JPMorgan, BMO, and City National Bank, as lenders (collectively, the "Lenders"), and JPMorgan as administrative agent, pursuant to which the Lenders provided the Company with a $100.0 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. Both the Revolver and the Term Loan continue to mature on September 23, 2021, with the Term Loan quarterly principal payments increasing to $2.5 million beginning on March 1, 2019, with the remainder due at maturity.

Contractual Obligations

The Company's material contractual obligations for the next five years and thereafter as of May 26, 2019, are as follows:

(In thousands)	Due in Fiscal Year Ended May						
Obligation	Total	2020	2021	2022	2023	2024	Thereafter
Debt obligations	$ 149,500	$ 10,000	$ 10,000	$ 129,500	$ —	$ —	$ —
Interest payments associated with debt obligations	17,280	7,565	7,053	2,662	—	—	—
Capital leases	4,925	486	489	460	3,490	—	—
Operating leases	28,421	5,056	4,044	3,589	3,350	3,047	9,335
Purchase commitments	30,615	25,135	2,780	2,700	—	—	—
Total	$ 230,741	$ 48,242	$ 24,366	$ 138,911	$ 6,840	$ 3,047	$ 9,335

Debt obligations are based on the principal amounts outstanding on the term loan and 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 for further information on the Company's loans.

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

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

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

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

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 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. Both the Revolver and the Term Loan accrue interest at a floating rate, equal to either (i) the prime rate plus a spread of between 0.25% and 2.25% or (ii) the Eurodollar rate plus a spread of between 1.25% and 3.25%. Based on the $149.0 million of floating rate debt outstanding as of May 26, 2019, of which $67.5 million is hedged, our annual interest expense would increase by approximately $0.8 million for each 100 basis point increase in interest rates.

Foreign Currency Exposure

Our Mexican-based operations transact a portion of business in Mexican pesos. Funds are transferred by our corporate office to Mexico to satisfy domestic 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 26, 2019, 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 26, 2019.

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

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

Changes in Internal Controls over Financial Reporting

During the fourth quarter 2018, the Company identified errors in its current and previously filed statements of cash flows related to improperly including accrued capital expenditures in its cash outflows used in investing activities. The errors arose as a result of a deficiency in the operation of the Company's cash flow reconciliation control. Specifically, the Company had developed an accounting policy for the treatment of accrued capital expenditures that resulted in a deviation from GAAP and failed to execute its control to monitor the significance of such deviations.

During 2019, we completed the remediation plan for the material weakness in our internal control over financial reporting identified as of May 27, 2018. Specifically, our management, Audit Committee and Board of Directors took the following steps as part of our ongoing remediation efforts to address this issue:
(a) Strengthened our reconciliation controls around accounts payable and fixed assets by redesigning the controls to take into account the balances within fixed assets and the timing of payments for invoices within accounts payable; and
(b) Strengthened our review process over the Consolidated Statements of Cash Flows to ensure cash flows from investing activities accurately presents the timing of cash outflows arising from purchases of property and equipment.

On December 1, 2018, we completed the acquisition of Yucatan Foods. We are in the process of integrating Yucatan Foods into our systems and control environment. As permitted by the Securities and Exchange Commission, we are excluding Yucatan Foods from the assessment of internal control over financial reporting for the year ending May 26, 2019. This exclusion is consistent with guidance issued by the SEC that an assessment of a recently acquired business may be omitted from management's report on internal control over financial reporting in the year of acquisition.

Subject to the foregoing, no changes in our internal control over financial reporting have occurred as of May 26, 2019, 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 which the Registrant will file with the Commission no later than September 23, 2019 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

Item 11. ***Executive Compensation***

This information required by this item will be contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than September 23, 2019 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

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

This information required by this item will be contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than September 23, 2019 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

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

This information required by this item will be contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than September 23, 2019 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services***

This information required by this item will be contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than September 23, 2019 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

PART IV

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

(a) 1. Consolidated Financial Statements of Landec Corporation

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

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

Financials

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 26, 2019 and May 27, 2018, and the related consolidated statements of income (loss), comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended May 26, 2019, 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 26, 2019 and May 27, 2018, and the results of its operations and its cash flows for each of the three years in the period ended May 26, 2019, 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 26, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 1, 2019 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.

/s/ Ernst & Young LLP

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

San Francisco, California
August 1, 2019

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 26, 2019, 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 (the Company) maintained, in all material respects, effective internal control over financial reporting as of May 26, 2019, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Yucatan Foods, Inc which is included in the May 26, 2019 consolidated financial statements of the Company and constituted $90,255 and $81,168 of total and net assets, respectively, as of May 26, 2019 and $27,321 and $(5,423) of product sales and net income from continuing operations before income taxes, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Yucatan Foods, Inc.

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 26, 2019 and May 27, 2018, and the related consolidated statements of income (loss), comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended May 26, 2019, and the related notes and our report dated August 1, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Ernst & Young LLP

San Francisco, California
August 1, 2019

Financials

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

	May 26, 2019	May 27, 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,080	$ 2,899
Accounts receivable, less allowance for doubtful accounts	69,565	53,877
Inventories	54,132	31,819
Prepaid expenses and other current assets	8,264	7,958
Other current assets, discontinued operations	—	510
Total Current Assets	133,041	97,063
Investment in non-public company, fair value	61,100	66,500
Property and equipment, net	200,027	159,624
Goodwill	76,742	54,510
Trademarks/tradenames, net	29,928	16,028
Customer relationships, net	15,319	5,814
Other assets	2,934	5,164
Total Assets	$ 519,091	$ 404,703
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 53,973	$ 34,668
Accrued compensation	10,687	9,978
Other accrued liabilities	10,076	8,706
Deferred revenue	499	2,625
Line of credit	52,000	27,000
Current portion of long-term debt, net	9,791	4,940
Other current liabilities, discontinued operations	65	458
Total Current Liabilities	137,091	88,375
Long-term debt, net	87,193	37,360
Capital lease obligation, less current portion	3,532	3,641
Deferred taxes, net	19,393	17,485
Other non-current liabilities	1,738	5,280
Total Liabilities	248,947	152,141
Stockholders' Equity:		
Common stock, $0.001 par value; 50,000 shares authorized; 29,103 and 27,702 shares issued and outstanding at May 26, 2019 and May 27, 2018, respectively	29	28
Additional paid-in capital	160,341	142,087
Retained earnings	109,710	109,299
Accumulated other comprehensive income	64	1,148
Total Stockholders' Equity	270,144	252,562
Total Liabilities and Stockholders' Equity	$ 519,091	$ 404,703

See accompanying notes to the consolidated financial statements.

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

	Year Ended		
	May 26, 2019	May 27, 2018	May 28, 2017
Product sales	$ 557,559	$ 524,227	$ 469,776
Cost of product sales	476,556	445,889	390,564
Gross profit	81,003	78,338	79,212
Operating costs and expenses:			
Research and development	11,466	12,800	9,473
Selling, general and administrative	64,062	51,951	52,491
Legal settlement charge	—	—	2,580
Total operating costs and expenses	75,528	64,751	64,544
Operating income	5,475	13,587	14,668
Dividend income	1,650	1,650	1,650
Interest income	145	211	16
Interest expense, net	(5,230)	(1,950)	(1,826)
Loss on debt refinancing	—	—	(1,233)
Other income	1,600	2,900	900
Net income from continuing operations before taxes	3,640	16,398	14,175
Income tax (expense) benefit	(1,518)	9,363	(4,040)
Net income from continuing operations	2,122	25,761	10,135
Discontinued operations:			
(Loss) income from discontinued operations	(2,238)	(1,188)	837
Income tax benefit (expense)	527	350	(295)
(Loss) income from discontinued operations, net of tax	(1,711)	(838)	542
Consolidated net income	411	24,923	10,677
Non-controlling interest expense	—	(94)	(87)
Net income applicable to common stockholders	$ 411	$ 24,829	$ 10,590
Basic net income per share:			
Income from continuing operations	$ 0.07	$ 0.93	$ 0.37
(Loss) income from discontinued operations	(0.06)	(0.03)	0.02
Total basic net income per share	$ 0.01	$ 0.90	$ 0.39
Diluted net income per share:			
Income from continuing operations	$ 0.07	$ 0.92	$ 0.36
(Loss) income from discontinued operations	(0.06)	(0.03)	0.02
Total diluted net income per share	$ 0.01	$ 0.89	$ 0.38
Shares used in per share computation:			
Basic	28,359	27,535	27,276
Diluted	28,607	27,915	27,652

See accompanying notes to the consolidated financial statements.

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

	Year Ended		
	May 26, 2019	May 27, 2018	May 28, 2017
Net income applicable to common stockholders	$ 411	$ 24,829	$ 10,590
Other comprehensive (loss) income, net of tax:			
Change in net unrealized (losses) gains on interest rate swap (net of tax effect of $282, $(123), and $(254))	(1,084)	716	432
Other comprehensive (loss) income, net of tax	(1,084)	716	432
Total comprehensive (loss) income	$ (673)	$ 25,545	$ 11,022

See accompanying notes to the consolidated financial statements.

Financials

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Non-controlling Interest
	Shares	Amount					
Balance at May 29, 2016	27,148	$ 27	$ 137,244	$ 73,457	$ —	$ 210,728	$ 1,622
Cumulative-effect adjustment - ASU 2016-09 adoption....	—	—	200	423	—	623	—
Issuance of stock under stock plans..................................	351	—	706	—	—	706	—
Taxes paid by Company for employee stock plans	—	—	(434)	—	—	(434)	—
Stock-based compensation.....	—	—	3,964	—	—	3,964	—
Payments to NCI...................	—	—	—	—	—	—	(166)
Net income............................	—	—	—	10,590	—	10,590	87
Other comprehensive income, net of tax	—	—	—	—	432	432	—
Balance at May 28, 2017	27,499	27	141,680	84,470	432	226,609	1,543
Issuance of stock under stock plans..................................	203	1	55	—	—	56	—
Taxes paid by Company for employee stock plans	—	—	(1,478)	—	—	(1,478)	—
Stock-based compensation.....	—	—	4,403	—	—	4,403	—
Payments to NCI...................	—	—	—	—		—	(115)
Net income............................	—	—	—	24,829	—	24,829	94
Purchase of NCI	—	—	(2,573)	—		(2,573)	(1,522)
Other comprehensive income, net of tax	—	—	—	—	716	716	—
Balance at May 27, 2018	27,702	28	142,087	109,299	1,148	252,562	—
Issuance of stock under stock plans..................................	197	—	327	—	—	327	—
Issuance of common stock in connection with Yucatan Foods acquisition	1,203	1	15,067	—	—	15,068	—
Taxes paid by Company for employee stock plans	—	—	(700)	—	—	(700)	—
Stock-based compensation.....	—	—	3,560	—	—	3,560	—
Net income............................	—	—	—	411	—	411	—
Other comprehensive loss, net of tax	—	—	—	—	(1,084)	(1,084)	—
Balance at May 26, 2019	29,102	$ 29	$ 160,341	$109,710	$ 64	$ 270,144	$ —

See accompanying notes to the consolidated financial statements.

Financials

LANDEC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended		
	May 26, 2019	May 27, 2018	May 28, 2017
Cash flows from operating activities:			
Consolidated net income	$ 411	$ 24,923	$ 10,677
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	15,230	12,412	10,677
Stock-based compensation expense	3,560	4,403	3,964
Loss on early debt extinguishment	—	—	1,233
Deferred taxes	910	(7,221)	2,506
Change in investment in non-public company, fair value	(1,600)	(2,900)	(900)
Net loss on disposal of property and equipment	188	157	586
Change in contingent consideration liability	(3,500)	(1,900)	—
Impairment of GreenLine tradename	2,000	—	—
Changes in current assets and current liabilities:			
Accounts receivable, net	(8,860)	(7,312)	(336)
Inventories	(10,929)	(6,529)	855
Prepaid expenses and other current assets	1,601	(3,987)	1,039
Accounts payable	19,116	4,965	(4,778)
Accrued compensation	249	1,981	2,751
Other accrued liabilities	21	(1,383)	2,086
Deferred revenue	(2,377)	2,170	(522)
Net cash provided by operating activities	16,020	19,779	29,838
Cash flows from investing activities:			
Purchases of property and equipment	(44,734)	(33,590)	(23,003)
Acquisitions (Note 2), net of cash acquired	(59,872)	—	(2,500)
Issuance of note receivable	—	(2,099)	—
Proceeds from collections of notes receivable	545	—	—
Proceeds from sale of investment in non-public company	7,000	—	—
Proceeds from sales of fixed assets	264	100	81
Net cash used in investing activities	(96,797)	(35,589)	(25,422)
Cash flows from financing activities:			
Proceeds from sale of common stock	327	56	706
Taxes paid by Company for employee stock plans	(700)	(1,478)	(434)
Net change in other assets/liabilities	—	—	(41)
Proceeds from long term debt	60,000	—	50,000
Payments on long-term debt	(5,092)	(5,076)	(57,236)
Proceeds from lines of credit	59,000	33,000	4,500
Payments on lines of credit	(34,000)	(9,000)	(5,000)
Payments for debt issuance costs	(509)	—	(897)
Payments for early debt extinguishment penalties	—	—	(233)
Purchase of non-controlling interest	—	(4,095)	—
Payments to non-controlling interest	—	(115)	(166)
Net cash provided by financing activities	79,026	13,292	(8,801)
Net decrease in cash, cash equivalents and restricted cash (1)	(1,751)	(2,518)	(4,385)
Cash, cash equivalents and restricted cash, beginning of period (1)	3,216	5,734	10,119
Cash, cash equivalents and restricted cash, end of period (1)	$ 1,465	$ 3,216	$ 5,734
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest	$ 5,614	$ 2,292	$ 2,332
Cash paid during the period for income taxes, net of refunds received	$ (1,963)	$ 283	$ 2,792
Supplemental disclosure of non-cash investing and financing activities:			
Purchases of property and equipment on trade vendor credit	$ 3,948	$ 8,445	$ 4,380

(1) As a result of adopting ASU 2016-18, cash and cash equivalents at the beginning-of-period and end-of-period total amounts have been adjusted.

See accompanying notes to the consolidated financial statements.

Financials

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.

The Company sells specialty packaged branded Eat Smart® and private label fresh-cut vegetables and whole produce to retailers, club stores, and food service operators, primarily in the United States and Canada. The Company also sells premier California specialty olive oils and wine vinegars under its O Olive Oil & Vinegar® ("*O*") brand to natural food, conventional grocery and mass retail stores primarily in the United States and Canada. The majority of Yucatan® and Cabo Fresh® branded guacamole and avocado products are sold in the U.S. grocery channel, but they are also sold in U.S. mass retail, Canadian grocery retail and foodservice channels.

On January 11, 2019, Landec's food company marked the completion of its transition from a packaged fresh vegetables company to a branded, natural foods company by changing the name of its food business from Apio, Inc. ("Apio") to Curation Foods, Inc. ("Curation Foods"). Curation Foods will serve as the corporate umbrella for a portfolio of four natural food brands, including the Company's flagship brand Eat Smart as well as three emerging natural food brands, consisting of *O* olive oil and vinegar products, and its two new brands Yucatan and Cabo Fresh authentic guacamole and avocado products, acquired by the Company through the acquisition of Yucatan Foods on December 1, 2018. *O*, Yucatan and Cabo Fresh are referred to collectively as "Emerging Brands". See Note 2 - Acquisitions for more details.

The Company has two proprietary polymer technology platforms: 1) Intelimer® polymers, and 2) hyaluronan ("HA") biopolymers. The Company sells HA-based and non-HA biomaterials through its Lifecore Biomedical, Inc. ("Lifecore") subsidiary. The Company's HA biopolymers and non-HA materials are proprietary in that they are specially formulated for specific customers to meet strict regulatory requirements.

The Company's technologies, along with its customer relationships and tradenames, are the foundation and key differentiating advantages upon which Landec has built its business.

Basis of Presentation and Consolidation

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

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

In May 2019, the Company discontinued the Now Planting business, and in May 2018, the Company discontinued the Food Export business segment. As a result, the Now Planting business, which was launched during the second quarter of fiscal year 2019, and Food Export business were reclassified as a discontinued operation under the provisions of Accounting Standards Codification ("ASC") 205-20, *Presentation of Financial Statements - Discontinued Operations* ("ASC 205-20") and ASC 360, *Property, Plant and Equipment* ("ASC 360") for all periods presented. During fiscal year 2019, the Company re-packaged its GreenLine branded food service products to the Eat Smart brand, and wrote-off the remaining $2.0 million tradename intangible assets.

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

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

Reclassifications

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

Summary of Significant Accounting Policies

Use of Estimates

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

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

Concentrations of Risk

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

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

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

During the fiscal year ended May 26, 2019, sales to the Company's top five customers accounted for approximately 43% of total revenue with the top two customers from the Curation Foods segment, Costco Corporation ("Costco") and Wal-mart, Inc. ("Wal-mart") accounting for approximately 14% and 16%, respectively, of total revenues. Lifecore did not have any individual customers that exceeded 5% of total revenues. As of May 26, 2019, the top two customers, Costco and Wal-mart represented approximately 8% and 13%, respectively, of total accounts receivable. Lifecore's top three customers represented 13%, 8%, and 6%, respectively, of total accounts receivable.

During the fiscal year ended May 27, 2018, sales to the Company's top five customers accounted for approximately 49% of total revenue with the top two customers from the Curation Foods segment, Costco Corporation ("Costco") and Wal-mart, Inc. ("Wal-mart") accounting for approximately 19% and 18%, respectively, of total revenues. Lifecore did not have any individual customers that exceeded 5% of total revenues. As of May 27, 2018, the top two customers, Costco and Wal-mart represented approximately 13% and 18%, respectively, of total accounts receivable. Lifecore had one customer that represented 10% of total accounts receivable at the end of fiscal year 2018.

Impairment of Long-Lived Assets

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

Financial Instruments

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

Cash Flow Hedges

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

For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of Accumulated Other Comprehensive Income ("AOCI") in Stockholders' Equity and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized in earnings in the current period. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions.

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

	Unrealized Gains on Cash Flow Hedge
Balance as of May 27, 2018	$ 1,148
Other comprehensive loss before reclassifications, net of tax effect	(1,084)
Amounts reclassified from OCI	—
Other comprehensive income, net	(1,084)
Balance as of May 26, 2019	$ 64

The Company does not expect any transactions or other events to occur that would result in the reclassification of any significant gains into earnings in the next 12 months.

Based on these assumptions, management believes the fair market values of the Company's financial instruments are not significantly different from their recorded amounts as of May 26, 2019 and May 27, 2018.

Financials

Accounts Receivable and Sales Returns and Allowance for Doubtful Accounts

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

	Balance at beginning of period	Adjustments resulting from acquisitions	Adjustments charged to revenue and expenses	Write offs, net of recoveries	Balance at end of period
Year Ended May 28, 2017	$ 296	$ —	$ 519	$ (454)	$ 361
Year Ended May 27, 2018	$ 361	$ —	$ 46	$ (105)	$ 302
Year Ended May 26, 2019	$ 302	$ 881	$ 421	$ (588)	$ 1,016

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 26, 2019, and May 27, 2018, were $5.6 million and $4.2 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 26, 2019, and May 27, 2018, were $0.2 million and $2.6 million, respectively. Revenue recognized during fiscal year 2019 that was included in the contract liability balance at the beginning of the fiscal 2019 period was $2.4 million.

Revenue Recognition

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

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

Occasionally, the Company enters into bill-and-hold arrangements, where it invoices the customer for products even though it retains possession of the products until a point-in-time in the future when the products will be shipped to the customer. In these contracts, the primary performance obligation is satisfied, and revenue is generally recognized, at a point-in-time when the product is segregated from the Company's general inventory, it's ready for shipment to the customer, and the Company does not have the ability to use the product or re-deploy it to another customer.

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

	Year Ended		
Curation Foods:	May 26, 2019	May 27, 2018	May 28, 2017
Salads	$ 190,239	$ 188,104	$ 152,467
Core vegetables	258,812	266,850	255,554
Emerging brands	32,635	3,846	2,363
Total	$ 481,686	$ 458,800	$ 410,384

	Year Ended		
Lifecore:	May 26, 2019	May 27, 2018	May 28, 2017
Aseptic	$ 34,384	$ 30,021	$ 24,090
Fermentation	21,434	21,068	24,187
Development services	20,055	14,338	11,115
Total	$ 75,873	$ 65,427	$ 59,392

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

Shipping and Handling Costs

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

Cash and Cash Equivalents

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

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

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

	May 26, 2019	May 27, 2018	May 28, 2017
Cash and cash equivalents	$ 1,080	$ 2,899	$ 5,998
Restricted cash	385	325	325
Cash, discontinued operations	—	(8)	(589)
Cash and cash equivalents presented on Statements of Cash Flows	$ 1,465	$ 3,216	$ 5,734

Restricted Cash

The Company was required to maintain $0.4 million as of May 26, 2019 and $0.3 million of restricted cash as of both May 27, 2018, and May 28, 2017 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.

Financials

Inventories

Inventories are stated at the lower of cost (using the first-in, first-out method) or net realizable value. As of May 26, 2019 and May 27, 2018 inventories consisted of (in thousands):

	Year Ended	
	May 26, 2019	May 27, 2018
Finished goods	$ 26,748	$ 12,861
Raw materials	23,195	15,286
Work in progress	4,189	3,672
Total inventories	$ 54,132	$ 31,819

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

Advertising Expense

Advertising expenditures for the Company are expensed as incurred and included in SG&A in the accompanying Consolidated Statements of Income. Advertising expense for the Company for fiscal years 2019, 2018, and 2017 was $1.3 million, $1.4 million and $1.9 million, respectively.

Notes and Advances Receivable

Curation Foods issues notes and makes advances to produce growers for their crop and harvesting costs primarily for the purpose of sourcing crops for Curation Foods' business. Notes and advances receivable are generally recovered during the growing season (less than one year) using proceeds from the crops sold to Curation Foods. Notes are interest bearing obligations, evidenced by contracts and notes receivable. These notes and advances receivable are secured by perfected liens on crops, have terms that range from three to nine months, and are reviewed at least quarterly for collectability. A reserve is established for any note or advance deemed to not be fully collectible based upon an estimate of the crop value or the fair value of the security for the note or advance. Notes or advances outstanding at May 26, 2019 and May 27, 2018 were $2.0 million and $2.7 million, respectively and are recorded in prepaid expenses and other current assets in the accompanying Consolidated Balance Sheets.

Related Party Transactions

The Company sold products to and earned license fees from Windset during the last three fiscal years. During fiscal years 2019, 2018, and 2017, the Company recognized revenues of $0.6 million, $0.6 million, and $0.5 million, respectively. These amounts have been included in product sales in the accompanying Consolidated Statements of Income, from the sale of products to and license fees from Windset. The related receivable balances of $0.5 million and $0.3 million from Windset are included in accounts receivable in the accompanying Consolidated Balance Sheets as of May 26, 2019 and May 27, 2018, respectively.

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

Property and Equipment

Property and equipment are stated at cost. Expenditures for major improvements are capitalized while repairs and maintenance are charged to expense. Depreciation is expensed on a straight-line basis over the estimated useful lives of the respective assets, generally three to forty years for buildings and leasehold improvements and three to twenty years for furniture and fixtures, computers, capitalized software, capitalized leases, machinery, equipment and vehicles. Leasehold improvements are amortized on a straight-line basis over the lesser of the economic life of the improvement or the life of the lease.

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

Long-Lived Assets

The Company's Long-Lived Assets consist of property, plant and equipment, and intangible assets. Intangible assets are comprised of customer relationships with an estimated useful life of eleven to thirteen years and trademarks/trade names and goodwill with indefinite lives. Accounting guidance defines goodwill as "the excess of the cost of an acquired entity over the net of the estimated fair values of the assets acquired and the liabilities assumed at date of acquisition."

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

The Company tests its indefinite-lived intangible assets for impairment at least annually, in accordance with accounting guidance. For all indefinite-lived assets, including goodwill, the Company performs a qualitative analysis in accordance with ASC 350-30-35. Application of the impairment tests for indefinite-lived intangible assets requires significant judgment by management, including identification of reporting units, assignment of assets and liabilities to reporting units, assignment of intangible assets to reporting units, which judgments are inherently uncertain.

During fiscal year 2019, the Company re-packaged its GreenLine branded food service products to the Eat Smart brand, and wrote-off the remaining $2.0 million tradename intangible assets. During fiscal year 2018, there were no impairments of intangible assets.

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

In the annual impairment test, the Company assesses qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. In assessing the qualitative factors, management considers the impact of these key factors: macro-economic conditions, industry and market environment, cost factors, overall financial performance of the Company, cash flow from operating activities, market capitalization, litigation, and stock price. If management determines as a result of the qualitative assessment that it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, then the quantitative test is required. Otherwise, no further testing is required.

If a quantitative test is required, the Company would compare the carrying amount of a reporting unit that includes goodwill to its fair value. The Company determines the fair value using both an income approach and a market approach. Under the income approach, fair value is determined based on estimated future cash flows, discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of the Company and the rate of return an outside investor would expect to earn. Under the market-based approach, information regarding the Company is utilized as well as publicly available industry information to determine earnings multiples that are used to value the Company. A goodwill impairment loss is recognized for the amount that the carrying amount of a reporting unit, including goodwill, exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit.

As of February 24, 2019, the Company tested its goodwill for impairment and determined that no indication of impairment existed as of that date. A quantitative goodwill impairment test was performed on the basis that periodically the reporting units should be valued in order to support qualitative assessments in subsequent years.

Subsequent to the 2019 annual impairment test, there have been no significant events or circumstances affecting the valuation of goodwill that indicate a need for goodwill to be further tested for impairment. Other than the goodwill attributable to the Food Export business segment, which was written off pursuant to the Company discontinuing its operations during fiscal 2018, there were no impairment losses for goodwill during fiscal years 2019, 2018, and 2017.

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 26, 2019 and May 27, 2018. The Company has elected to account for its investment in Windset under the fair value option. See Note 3 – Investment in Non-public Company for further information.

Partial Self-Insurance on Employee Health and Workers Compensation Plans

The Company provides health insurance benefits to eligible employees under self-insured plans whereby the Company pays actual medical claims subject to certain stop loss limits and self-insures its workers compensation claims. The Company records self-insurance liabilities based on actual claims filed and an estimate of those claims incurred but not reported. Any projection of losses concerning the Company's liability is subject to a high degree of variability. Among the causes of this variability are unpredictable external factors such as inflation rates, changes in severity, benefit level changes, medical costs, and claims settlement patterns. This self-insurance liability is included in accrued liabilities in the accompanying Consolidated Balance Sheets and represents management's best estimate of the amounts that have not been paid as of May 26, 2019 and May 27, 2018. It is reasonably possible that the expense the Company ultimately incurs could differ and adjustments to future reserves may be necessary.

Deferred Revenue

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

Non-Controlling Interest

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

During the fiscal fourth quarter of 2018, the Company purchased the remaining 40% non-controlling interest of its subsidiary, Apio Cooling, LP ("Apio Cooling"), for approximately $4.7 million in cash. The increase in the Company's ownership interest in Apio Cooling was accounted for as an equity transaction in accordance with ASC Topic 810-10-45-23. The Company recorded a decrease in additional paid-in capital of approximately $2.6 million, which represents the difference between the cash paid and the book value of the Apio Cooling non-controlling interest account, which was approximately $1.5 million, immediately preceding the purchase.

Income Taxes

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

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

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

Per Share Information

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

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

	Year Ended		
(in thousands, except per share amounts)	May 26, 2019	May 27, 2018	May 28, 2017
Numerator:			
Net income applicable to Common Stockholders	$ 411	$ 24,829	$ 10,590
Denominator:			
Weighted average shares for basic net income per share	28,359	27,535	27,276
Effect of dilutive securities:			
Stock options and restricted stock units	248	380	376
Weighted average shares for diluted net income per share	28,607	27,915	27,652
Diluted net income per share	$ 0.01	$ 0.89	$ 0.38

Options to purchase 1,576,919, 1,495,380, and 1,428,272 shares of Common Stock at a weighted average exercise price of $13.74, $13.80, and $13.58 per share were outstanding during fiscal years ended May 26, 2019, May 27, 2018, and May 28, 2017, respectively, but were not included in the computation of diluted net income per share because the options' exercise price was greater than the average market price of the Common Stock and, therefore, their inclusion would be antidilutive.

Research and Development Expenses

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

Accounting for Stock-Based Compensation

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

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

Employee Savings and Investment Plans

The Company sponsors a 401(k) plan which is available to all full-time Landec employees ("Landec Plan") 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 2019, 2018 and 2017, the Company contributed $1.8 million, $1.8 million and $1.5 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.

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

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

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

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

As of May 26, 2019, the Company held certain assets and liabilities that were required to be measured at fair value on a recurring basis, including its interest rate swap, its minority interest investment in Windset, and its contingent consideration liability from the acquisition of *O*.

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

The fair value of the Company's contingent consideration liability from the acquisition of *O* utilizes significant unobservable inputs, including projected earnings before interest, taxes, depreciation and amortization ("EBITDA"), and discount rates. As a result, the Company's contingent consideration liability associated with the *O* acquisition is considered a Level 3 measurement liability and is included in Other non-current liabilities in the accompanying Consolidated Balance Sheets.

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

	May 26, 2019	May 27, 2018
Cost of debt	5.1% to 5.5%	4.7% to 5.2%
Market price of risk adjustment	14%	20%
EBITDA volatility	28%	25%

The fair value of our contingent consideration liability is sensitive to change in forecasts. 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 Contingent consideration liability as of May 26, 2019
10% increase in EBITDA forecast	$ 100

The Company has elected the fair value option of accounting for its investment in Windset. The calculation of fair value utilizes significant unobservable inputs, including projected cash flows, growth rates, and discount rates. As a result, the Company's investment in Windset is considered to be a Level 3 measurement investment. The change in the fair value of the Company's investment in Windset for the twelve months ended May 26, 2019 was due to the Company's 26.9% minority interest in the change in the fair market value of Windset during the period.

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

	May 26, 2019	May 27, 2018
Revenue growth rates	6%	6%
Expense growth rates	6%	6%
Income tax rates	15%	15%
Discount rates	12%	12%

The revenue growth, expense growth, and income tax rate assumptions are considered the Company's best estimate of the trends in those items over the discount period. The discount rate assumption takes into account the risk-free rate of return, the market equity risk premium, and the Company's specific risk premium and then applies an additional discount for lack of liquidity of the underlying securities. The discounted cash flow valuation model used by the Company has the following sensitivity to changes in inputs and assumptions (in thousands):

	Impact on value of Windset investment as of May 26, 2019
10% increase in revenue growth rates	$ 10,600
10% increase in expense growth rates	$ (9,900)
10% increase in income tax rates	$ (400)
10% increase in discount rates	$ (3,500)

Imprecision in estimating unobservable market inputs can affect the amount of gain or loss recorded for a particular position. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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

	Fair Value at May 26, 2019			Fair Value at May 27, 2018		
Assets:	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Interest rate swap contracts	$ —	$ 644	$ —	$ —	$ 1,529	$ —
Investment in non-public company	—	—	61,100	—	—	66,500
Total assets	$ —	$ 644	$ 61,100	$ —	$ 1,529	$ 66,500
Liabilities:						
Interest rate swap contracts	$ —	$ 482	$ —	$ —	$ —	$ —
Contingent consideration liability	—	—	500	—	—	4,000
Total liabilities	$ —	$ 482	$ 500	$ —	$ —	$ 4,000

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 26, 2019 (in thousands):

	Windset Investment	Contingent Consideration Liability
Balance as of May 27, 2018	$ 66,500	$ 4,000
Fair value change	1,600	(3,500)
Exercise of Senior B put feature (1)	(7,000)	—
Balance as of May 26, 2019	$ 61,100	$ 500

(1) Refer to Note 3 - Investment in Non-public Company for further details.

Recent Accounting Pronouncements

Income Taxes

In February 2018, the FASB issued ASU 2018-2, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* that permits a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act enacted in December 2017. The standard is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company adopted ASU 2018-2 on August 27, 2018. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements and related disclosures.

Stock Compensation

In May 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-9, Compensation—Stock Compensation (Topic 718): *Scope of Modification Accounting*, which provides guidance about which changes to the terms or conditions of a stock-based payment award require an entity to apply modification accounting in Topic 718. This pronouncement is effective for annual reporting periods beginning after December 15, 2017. The Company adopted ASU 2017-9 on May 28, 2018. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements and related disclosures.

Restricted Cash

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): *Restricted Cash* ("ASU 2016-18"). ASU 2016-18 requires that entities include restricted cash and restricted cash equivalents with cash and cash equivalents in the beginning-of-period and end-of-period total amounts shown on the Statement of Cash Flows. The amendments in ASU 2016-18 are effective for fiscal years beginning after December 15, 2017, including interim reporting periods within those fiscal years. The Company adopted ASU 2016-18 on May 28, 2018. As a result of this retrospective adoption, the beginning-of-period and end-of-period total cash and cash equivalents in the Statement of Cash Flows have been adjusted to include restricted cash for all periods presented.

Intra-Entity Transfers

In November 2016, the FASB issued ASU 2016-16, *Intra-Entity Transfers of Assets Other Than Inventory*. ASU 2016-16 requires companies to account for the income tax effects of intercompany transfers of assets other than inventory (e.g., intangible assets) when the transfer occurs. This pronouncement is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Effective May 28, 2018, the Company adopted the ASU, without any impact to the presentation of its financial statements and disclosures.

Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): *Classification of Certain Cash Receipts and Cash Payments* (a consensus of the Emerging Issues Task Force). ASU 2016-15 clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows to reduce diversity in practice. Among other things, debt prepayment or debt extinguishment costs will be presented as cash outflows for financing activities on the statement of cash flow. Effective May 28, 2018, the Company adopted the ASU, without any impact to the presentation of its financial statements and disclosures.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-9, which creates FASB ASC Topic 606, *Revenue from Contracts with Customers* ("Topic 606") and supersedes ASC Topic 605, Revenue Recognition. The guidance replaces industry-specific guidance and establishes a single five-step model to identify and recognize revenue. The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires the entity to disclose further quantitative and qualitative information regarding the nature and amount of revenues arising from contracts with customers, as well as other information about the significant judgments and estimates used in recognizing revenues from contracts with customers.

The Company adopted Topic 606 on May 28, 2018 using the modified retrospective method. The adoption of this Topic 606 did not have a material impact upon the timing and measurement of revenue recognition. Additionally, the Company concluded that its historical methodology for estimation and recognition of variable consideration, i.e., rebates and other cash-based customer incentives remains consistent with the requirements of Topic 606. Revenues from the Company's Curation Foods segment are mostly generated from the sales of finished goods. Revenues from the Company's Biomaterials segment are mostly generated from its supply and contract manufacturing arrangements. Such sales predominantly contain a single performance obligation and revenue is recognized at a point-in-time, when control of the product transfers from the Company to the customer.

In the notes to the consolidated financial statements, the Company has expanded its revenue recognition disclosures. Additionally, it has implemented changes to accounting policies and procedures, business processes, and controls in order to comply with the revenue recognition and disclosure requirements of Topic 606.

Disclosure simplification

In August 2018, the U.S. Securities and Exchange Commission ("SEC") adopted the final rule under SEC Release No. 33-10532, *Disclosure Update and Simplification*, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements relating to the analysis of stockholders' equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders' equity presented in the balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of income is required to be filed. This final rule is effective on November 5, 2018. Effective November 26, 2018, the Company adopted SEC Release No. 33-10532. In accordance with the new guidance, the Company has revised in its Form 10-Q the changes required in the Consolidated Statement of Changes in Stockholders' Equity.

Recently Issued Pronouncements to be Adopted

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use-assets. ASU 2016-02 also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The Company will adopt ASU 2016-02 beginning in the first quarter of fiscal year 2020 on a modified retrospective basis.

Upon adoption of ASU 2016-02, the Company will record a transitional adjustment of approximately $0.3 million to opening retained earnings to write off the difference in deferred rent balances from prior periods for two operating leases with non-level rent. The difference arises from recalculation of deferred rent after applying updated lease terms as a result of applying hindsight.

Upon adoption of the ASU, there will be a significant impact in our consolidated balance sheet as we expect to recognize a right-of-use asset of approximately $30.0 million and lease liability of approximately $31.1 million related to our operating lease arrangements. The Company's current operating lease portfolio is primarily comprised of real estate, equipment, and vehicles.

The pattern of recognition for operating leases within the consolidated statements of comprehensive income is not anticipated to significantly change. This change will have no impact on the Company's ability to meet its loan covenants as the impact from the adoption of ASU 2016-02 was taken into consideration when determining its loan covenants.

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 is currently assessing the future impact of this update on its consolidated financial statements and related disclosures.

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). The guidance eliminates, adds and modifies certain disclosure requirements for fair value measurements. Entities will no longer have to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is currently assessing the future impact of this update on its consolidated financial statements and related disclosures.

Share-Based Compensation

In June 2018, the FASB issued ASU 2018-7, *Improvements to Nonemployee Share-Based Payment Accounting* ("ASU 2018-7"), which simplifies the accounting for share-based payments granted to nonemployees for goods and services. The guidance aligns the accounting for non-employee equity based awards with the accounting for employee equity-based awards, and requires equity-classified share-based payment awards issued to non-employees to be measured based on the grant date price, rather than remeasure the awards through the performance completion date. ASU 2018-7 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The adoption of ASU 2018-7 is not expected to have a material impact on the consolidated financial statements and related disclosures.

Hedging

In August 2017, the FASB issued ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities* (ASU 2017-12), which amends the presentation and disclosure requirements and changes how companies assess effectiveness. The amendments are intended to more closely align hedge accounting with companies' risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope and results of hedging programs. ASU 2017-12 is effective for annual periods beginning after December 15, 2018, including interim periods within those periods. Early application is permitted. The Company is currently assessing the future impact of this update on its consolidated financial statements and related disclosures.

Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments —Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which requires the measurement of all expected credit losses for financial assets including trade receivables held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The adoption of ASU 2016-13 is not expected to have a material impact on the consolidated financial statements and related disclosures.

2. Acquisitions

Yucatan Foods Acquisition

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

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

Yucatan Foods, founded in 1991, with its headquarters in Los Angeles, CA, 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
	$	74,966

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 are subject to change during the measurement period as valuations are finalized. The primary areas of the purchase price that are not yet finalized are related to income taxes and consideration of indemnification provisions for environmental related items. The fair value of assets acquired and liabilities assumed in accounting for the Acquisition is set forth in the table below (in thousands):

Cash and cash equivalents	$	26
Accounts receivable		6,310
Inventories		11,384
Prepaid expenses and other current assets		1,589
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		(1,280)
Net identifiable assets acquired		52,734
Goodwill		22,232
Total fair value purchase consideration	$	74,966

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.

Intangible Assets

The Company identified two intangible assets in connection with the Yucatan Foods acquisition: trademark/tradenames valued at $15.9 million and customer relationships valued at $11.0 million, which are included within Trademarks/tradenames and Customer relationships in the accompanying Consolidated Balance Sheets, respectively. Tradenames are considered to be an indefinite lived asset and therefore, will not be amortized. 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 tradenames are valued using the relief from royalty valuation method and the customer relationships are valued using the excess earnings method.

Goodwill

As a result of the Yucatan Foods acquisition, the goodwill balance as of May 26, 2019, increased by $22.2 million over the $54.5 million as of May 27, 2018. The goodwill recognized from the Yucatan Foods acquisition is 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. The Company will test goodwill for impairment on an annual basis or sooner, if indicators of impairment are present.

Acquisition Related Transaction Costs

As of 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 Income. 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. All accounting for this acquisition is final.

The potential earn out payment of up to $7.5 million is based on *O*'s cumulative EBITDA over the Company's fiscal years 2018 through 2020. At the end of each fiscal year, beginning in fiscal year 2018, the former owners of *O* will earn the equivalent of the EBITDA achieved by *O* for that fiscal year up to $4.6 million over the three year period. The former owners can then earn an additional $2.9 million on a dollar for dollar basis for exceeding $6.0 million of cumulative EBITDA over the three year period. Each quarter the Company performs, with the assistance of a third party appraiser, an analysis of O's projected EBITDA over the earnout period. Based on this analysis, the Company records a contingent consideration liability, included in Other non-current liabilities.

As of May 26, 2019, May 27, 2018, and May 28, 2017, the contingent consideration liability was $0.5 million, $4.0 million, and $5.9 million, respectively, representing the present value of the expected earn out payments. The reduction in the contingent consideration liability was $3.5 million and $1.9 million for fiscal years 2019 and 2018, respectively, and is recorded as a reduction to SG&A in the accompanying Consolidated Statements of Income. 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 coupled with a slower than anticipated start up of apple cider vinegar sales has reduced the current projected EBITDA through fiscal year 2020.

Intangible Assets

The Company identified two intangible assets in connection with the *O* acquisition: trade names and trademarks valued at $1.6 million, which are considered to be indefinite life assets and therefore, will not be amortized; and customer base valued at $0.7 million with an eleven year useful life. The trade name/trademark intangible asset was valued using the relief from royalty valuation method and the customer relationship intangible asset was valued using the excess earnings method.

Goodwill

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

Acquisition-Related Transaction Costs

The Company recognized $0.2 million of acquisition-related expenses that were expensed in the year ended May 28, 2017 and are included in selling, general and administrative expenses in the Consolidated Statements of Income for the year ended May 28, 2017. These expenses included legal, accounting and tax service fees and appraisals fees.

3. Investment in Non-public Company

Windset

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

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

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

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

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

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

The Company recorded $1.7 million in dividend income for each of the fiscal years ended May 26, 2019, May 27, 2018 and May 28, 2017, respectively. The decrease in the fair market value of the Company's investment in Windset for the fiscal year ended May 26, 2019 was $5.4 million, which included a decrease of $7.0 million related to the Company's selling back to Windset its Senior B preferred shares which is included as cash flow from investing activities in the accompanying Consolidated Statements of Cash Flows, and an increase in fair market value of $1.6 million which is included in other income in the accompanying Consolidated Statements of Income. The increase in the fair market value of the Company's investment in Windset for the fiscal years ended May 27, 2018 and May 28, 2017 was $2.9 million and $0.9 million, respectively, and is included in other income in the accompanying Consolidated Statements of Income.

4. Property and Equipment

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

	Years of Useful Life	Year Ended May 26, 2019	Year Ended May 27, 2018
Land and buildings	15 - 40	$ 108,428	$ 90,712
Leasehold improvements	3 - 20	6,974	2,607
Computers, capitalized software, machinery, equipment and autos	3 - 20	127,370	120,418
Furniture and fixtures	3 - 7	2,828	1,673
Construction in process		34,206	13,100
Gross property and equipment		279,806	228,510
Less accumulated depreciation and amortization		(79,779)	(68,886)
Net property and equipment		$ 200,027	$ 159,624

Depreciation and amortization expense for property and equipment for the fiscal years ended May 26, 2019, May 27, 2018 and May 28, 2017 was $13.1 million, $11.0 million and $9.6 million, respectively. Amortization related to capitalized leases, which is included in depreciation expense, was $0.1 million for each of the fiscal years ended May 26, 2019, May 27, 2018 and May 28, 2017, respectively.

During fiscal years 2019, 2018, and 2017, the Company capitalized $1.0 million, $0.9 million, and $2.2 million in software development costs, respectively. Amortization related to capitalized software was $0.9 million, $0.6 million, and $0.4 million for fiscal years ended May 26, 2019, May 27, 2018 and May 28, 2017, respectively. The unamortized computer software costs as of May 26, 2019 and May 27, 2018 was $2.8 million and $2.5 million, respectively. Capitalized interest was $0.7 million, $0.6 million, and $0.5 million for fiscal years ended May 26, 2019, May 27, 2018 and May 28, 2017, respectively.

Assets Held for Sale after the Balance Sheet Date

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, CA. The San Rafael property, included in land and buildings, has been designated as held for use within the Consolidated Balance Sheets as of May 26, 2019, as no finalized plan for disposition existed at fiscal year end. The disposal is expected to occur by the end of the calendar year, and is not expected to have a material impact to the Company's financial statements.

5. Goodwill and Intangible Assets

Goodwill

The following table presents the changes in goodwill during fiscal 2019 and fiscal 2018 (in thousands):

	2019	2018
Balance at beginning of year	$ 54,510	$ 54,510
Acquisition of Yucatan (Note 2)	22,232	—
Balance at end of year	$ 76,742	$ 54,510

Financials

As of May 26, 2019, the Curation Foods reporting unit had $62.8 million of goodwill and the Lifecore reporting unit had $13.9 million of goodwill.

Intangible Assets

As of May 26, 2019 and May 27, 2018, the Company's intangible assets consisted of the following (in thousands):

		May 26, 2019		May 27, 2018	
	Amortization Period (years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships					
Eat Smart (Curation Foods)	13	$ 7,500	$ 4,087	$ 7,500	$ 3,510
O (Curation Foods)	11	700	143	700	83
Yucatan Foods (Curation Foods)	12	11,000	550	—	—
Lifecore	12	3,700	2,801	3,700	2,493
Total customer relationships		$ 22,900	$ 7,581	$ 11,900	$ 6,086
Trademarks and tradenames					
Eat Smart (Curation Foods)		$ 9,100	$ 872	$ 11,100	$ 872
O (Curation Foods)		1,600	—	1,600	—
Yucatan Foods (Curation Foods)		15,900	—	—	—
Lifecore		4,200	—	4,200	—
Total trademarks and tradenames		$ 30,800	$ 872	$ 16,900	$ 872
Total intangible assets		$ 53,700	$ 8,453	$ 28,800	$ 6,958

Amortization expense related to finite-lived intangible assets was $1.5 million, $1.0 million, and $0.9 million in fiscal 2019, 2018, and 2017, respectively. The amortization expense for the next five fiscal years is estimated to be $1.9 million per year.

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6. Stock-based Compensation and Stockholders’ Equity

Common Stock and Stock Option Plans

On October 10, 2013, following stockholder approval at the Annual Meeting of Stockholders of the Company, the 2013 Stock Incentive Plan (the “Plan”) became effective and replaced the Company’s 2009 Stock Incentive Plan. Employees (including officers), consultants and directors of the Company and its subsidiaries and affiliates are eligible to participate in the Plan.

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

The Plan provides for the grant of stock options (both nonstatutory and incentive stock options), stock grants, stock units and stock appreciation rights. Awards under the Plan will be evidenced by an agreement with the Plan participants and 2.0 million shares of the Company’s Common Stock (“Shares”) were initially available for award under the Plan. Under the Plan, no recipient may receive awards during any fiscal year that exceeds the following amounts: (i) stock options covering in excess of 500,000 Shares; (ii) stock grants and stock units covering in excess of 250,000 Shares in the aggregate; or (iii) stock appreciation rights covering more than 500,000 Shares. In addition, awards to non-employee directors are discretionary. However, a non-employee director may not be granted awards in excess of 30,000 Shares in the aggregate during any fiscal year. The exercise price of the options is the fair market value of the Company’s Common Stock on the date the options are granted. As of May 26, 2019, 2,256,689 options to purchase shares and restricted stock units (“RSUs”) were outstanding.

On October 15, 2009, following stockholder approval at the Annual Meeting of Stockholders of the Company, the 2009 Stock Incentive Plan (the "2009 Plan") became effective and replaced the Company's 2005 Stock Incentive Plan. Employees (including officers), consultants and directors of the Company and its subsidiaries and affiliates were eligible to participate in the 2009 Plan. The 2009 Plan provided for the grant of stock options (both nonstatutory and incentive stock options), stock grants, stock units and stock appreciation rights. Under the 2009 Plan, 1.9 million shares were initially available for awards and as of May 26, 2019, 171,833 options to purchase shares and RSUs were outstanding.

At May 26, 2019, the Company had 2.5 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 26, 2019 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 26, 2019, May 27, 2018 and May 28, 2017, the fair value of stock option grants was estimated using the following weighted average assumptions:

	Year Ended		
	May 26, 2019	May 27, 2018	May 28, 2017
Options granted	368,264	498,000	240,000
Weighted-average exercise price	$11.85	$12.93	$11.58
Weighted-average grant date fair value	$2.80	$2.90	$2.37
Assumptions:			
Expected life (in years)	3.50	3.50	3.50
Risk-free interest rate	2.47%	1.73%	1.08%
Volatility	27%	27%	26%
Dividend yield	—%	—%	—%

Stock-Based Compensation Activity

A summary of the activity under the Company's stock option plans as of May 26, 2019 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 29, 2016	1,731,474	$ 11.90			
Options granted	240,000	$ 11.58			
Options exercised	(357,639)	$ 5.93	$ 2,780,597		
Options forfeited	(42,293)	$ 12.16			
Options expired	—	$ —			
Options outstanding at May 28, 2017	1,571,542	$ 13.20			
Options granted	498,000	$ 12.93			
Options exercised	(29,333)	$ 7.36	$ 177,921		
Options forfeited	(23,334)	$ 12.55			
Options expired	(61,540)	$ 14.23			
Options outstanding at May 27, 2018	1,955,335	$ 13.20			
Options granted	368,264	$ 11.85			
Options exercised	(116,834)	$ 11.82	$ 265,911		
Options forfeited	(71,669)	$ 13.75			
Options expired	(135,000)	$ 14.18			
Options outstanding at May 26, 2019	2,000,096	$ 12.94		3.29	$ 16,807
Options exercisable at May 26, 2019	1,524,473	$ 13.30		2.41	$ 5,467

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A summary of the Company's restricted stock unit award activity as of May 26, 2019 and changes during the fiscal year then ended is presented below:

	Restricted Stock Units Outstanding	Weighted-Average Grant Date Fair Value Per Share
Restricted stock units outstanding at May 29, 2016	526,841	$ 13.51
Granted	130,522	$ 13.37
Vested	(130,508)	$ 13.42
Forfeited	(17,500)	$ 12.46
Restricted stock units outstanding at May 28, 2017	509,355	$ 13.53
Granted	200,288	$ 13.12
Vested	(270,656)	$ 14.06
Forfeited	(30,950)	$ 11.75
Restricted stock units outstanding at May 27, 2018	408,037	$ 12.99
Granted	333,486	$ 13.15
Vested	(237,946)	$ 13.27
Forfeited	(75,150)	$ 13.92
Restricted stock units outstanding at May 26, 2019	428,427	$ 12.80

Stock-Based Compensation Expense

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

	Year Ended		
(in thousands)	May 26, 2019	May 27, 2018	May 28, 2017
Cost of sales	$ 449	$ 535	$ 485
Research and development	114	131	83
Selling, general and administrative	2,997	3,737	3,396
Total stock-based compensation	$ 3,560	$ 4,403	$ 3,964

As of May 26, 2019, there was $4.4 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 1.94 years for stock options and 2.09 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 2019, 2018 and 2017, 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 (the "Amendment"), which increased the Term Loan to $100.0 million and the Revolver to $105.0 million. Both the Revolver and the Term Loan continue to mature on September 23, 2021, with the Term Loan requiring quarterly principal payments to increase to $2.5 million beginning March 1, 2019, with the remainder continuing to be due at maturity.

The primarily purpose of the Amendment was to fund the Company's acquisition of Yucatan Foods and its related entities on December 1, 2018, to pay certain fees and expenses incurred in connection with the consummation of the Amendment, and for other general corporate purposes. See Note 2 - Acquisitions for more details on Yucatan Foods acquisition.

Interest on both the Revolver and the Term Loan continues to be based upon the Company's leverage ratio (generally defined 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), at a per annum rate of either (i) the prime rate plus a spread of between 0.25% and 2.25% or (ii) the Eurodollar rate plus a spread of between 1.25% and 3.25%. The Amendment increased the leverage ratio covenant to 4.50 to 1.00 from 3.50 to 1.00 through August 25, 2019, which decreases to 4.00 to 1.00 effective November 24, 2019.

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

The Credit Agreement continues to contain customary financial covenants and events of default under which the obligation could be accelerated and/or the interest rate increased. The Company was in compliance with all financial covenants as of May 26, 2019.

As of May 26, 2019, $52.0 million was outstanding on the Revolver, at an interest rate of 5.24% under the Eurodollar option.

Long-term debt consists of the following as of May 26, 2019 and May 27, 2018 (in thousands):

	May 26, 2019	May 27, 2018
Term loan	$ 97,500	$ 42,500
Total principal amount of long-term debt	97,500	42,500
Less: unamortized debt issuance costs	(516)	(200)
Total long-term debt, net of unamortized debt issuance costs	96,984	42,300
Less: current portion of long-term debt, net	(9,791)	(4,940)
Long-term debt, net	$ 87,193	$ 37,360

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

	Term Loan
Fiscal year 2020	$ 10,000
Fiscal year 2021	10,000
Fiscal year 2022	77,500
Fiscal year 2023 and thereafter	—
Total	$ 97,500

Derivative Instruments

On November 1, 2016, the Company entered into an interest rate swap contract (the "2016 Swap") with BMO at a notional amount of $50.0 million. The 2016 Swap has the effect of changing the Company's Term Loan obligation from a variable interest rate to a fixed 30-day LIBOR rate of 1.22%.

On June 25, 2018, the Company entered into an interest rate swap contract (the "2018 Swap") with BMO at a notional amount of $30.0 million. The 2018 Swap has the effect of converting the first $30.0 million of the total outstanding amount of the Company's 30-day LIBOR borrowings from a variable interest rate to a fixed 30-day LIBOR rate of 2.47%.

8. Income Taxes

U.S Tax Reform Impact

On December 22, 2017, the U.S. Government enacted the reconciled tax reform bill, commonly known as the Tax Cuts and Jobs Act of 2017 (the "TCJA"). The TCJA makes broad changes to the U.S. tax code including, but not limited to, reducing the Company's federal statutory tax rate from 35%, to an average rate of 29.4% for the fiscal year ended May 27, 2018, and then 21% for the year ended May 26, 2019 and thereafter; requiring companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries; generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; requiring a current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations' creating a global intangibles low-taxed income inclusion and the base erosion anti-abuse tax, a new minimum tax. The TCJA also enhances and extends through 2026 the option to claim accelerated depreciation deductions on qualified property, however, the domestic manufacturing deduction, from which the Company has historically benefited, has been eliminated.

On December 22, 2017, the Securities and Exchange Commission issued guidance under Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118) directing taxpayers to consider the impact of the Tax Legislation as “provisional” when it does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the change in tax law. Also, in March 2018, FASB issued Accounting Standards Update No. 2018-5, Income Taxes Topic (740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118, ("ASU 2018-5") to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. The Company's accounting for the Tax Act was incomplete as of May 27, 2018. As of May 26, 2019, the Company’s analysis for the Transition Tax and the re-measurement of deferred taxes due to the Tax Rate Reduction was considered to be complete and the Company does not expect the analysis to change materially. Ongoing guidance and accounting interpretation for the Tax Act are expected over the coming months and years, the Company will consider any changes in the accounting of the Tax Act in the period of such additional guidance is issued.

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

(in thousands)	Year Ended		
	May 26, 2019	May 27, 2018	May 28, 2017
Current:			
Federal	$ (67)	$ (2,854)	$ 1,388
State	63	60	39
Foreign	83	83	82
Total	79	(2,711)	1,509
Deferred:			
Federal	1,581	(7,122)	2,270
State	(142)	470	261
Total	1,439	(6,652)	2,531
Income tax (benefit) expense	$ 1,518	$ (9,363)	$ 4,040

The effective tax rate for fiscal year 2019 changed from a benefit of 64% to expense of 71% in comparison to fiscal year 2018. The increase in the income tax expense for fiscal year 2019 was primarily due to the Company's acquisition of Yucatan and the change in valuation allowance related to the foreign deferred balances, the change in ending state deferred blended rate, the limitation of deductibility of executive compensation, and partially offset by the benefit of the foreign rate differential and the federal and state research and development credits, all primarily as a result of the TCJA.

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

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

(in thousands)	Year Ended		
	May 26, 2019	May 27, 2018	May 28, 2017
Tax at U.S. statutory rate (1)	$ 764	$ 4,784	$ 4,922
State income taxes, net of federal benefit	46	439	307
Tax reform	—	(14,350)	—
Change in valuation allowance	929	(176)	85
Tax credit carryforwards	(771)	(777)	(834)
Other compensation-related activity	618	566	(365)
Domestic manufacturing deduction	—	—	(243)
Other	(68)	151	168
Income tax expense (benefit)	$ 1,518	$ (9,363)	$ 4,040

(1) Statutory rate was 21.0% for fiscal year 2019, 29.4% for fiscal year 2018, and 35.0% for fiscal year 2017.

The effective tax rates for fiscal year 2019 differ from the blended statutory federal income tax rate of 21% as a result of several factors, including the Yucatan acquisition, the change in valuation allowance related to the foreign deferred balances, the foreign rate differential, the change in ending state deferred blended rate, the limitation of deductibility of executive compensation, and the benefit of federal and state research and development credits. The effective tax rates for fiscal year 2018 differ from the statutory federal blended income tax rate of 29.4% as a result of several factors, including change in ending federal and state deferred blended rate, one-time transition tax due to the repatriation of foreign earnings, the change in valuation allowance, limitation of deductibility of executive compensation, and the benefit of federal and state research and development credits. The effective tax rates for fiscal year 2017 differ from the statutory federal income tax rate of 35% as a result of several factors, including non-deductible stock-based compensation expense, disqualified dispositions of incentive stock options, excess equity compensation benefits from the adoption of ASU 2016-09, domestic manufacturing deduction, the benefit of federal and state research and development credits, the change in valuation allowance, all of which is partially offset by state taxes.

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

(in thousands)	Year Ended	
	May 26, 2019	May 27, 2018
Deferred tax assets:		
Accruals and reserves	$ 3,130	$ 1,421
Net operating loss carryforwards	9,385	1,955
Stock-based compensation	979	1,247
Research and AMT credit carryforwards	2,839	2,032
Other	461	427
Gross deferred tax assets	16,794	7,082
Valuation allowance	(4,116)	(1,337)
Net deferred tax assets	12,678	5,745
Deferred tax liabilities:		
Depreciation and amortization	(14,324)	(11,307)
Goodwill and other indefinite life intangibles	(13,351)	(8,201)
Basis difference in investment in non-public company	(4,396)	(3,722)
Deferred tax liabilities	(32,071)	(23,230)
Net deferred tax liabilities	$ (19,393)	$ (17,485)

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During the fiscal year ended May 26, 2019, and May 27, 2018, excess tax deficits related to stock-based compensation of $153,000 and $38,000, respectively, were reflected in the consolidated statements of income as a component of income tax expense as a result of the adoption of ASU 2016-09, specifically related to the prospective application of excess tax deficits and tax deficiencies related to stock-based compensation.

As of May 26, 2019, the Company had federal, foreign, California, Indiana, and other state net operating loss carryforwards of approximately $26.5 million, $9.9 million, $3.4 million, $5.8 million, and $6.3 million respectively. These losses expire in different periods through 2032, if not utilized. The Company acquired additional net operating losses through the acquisition of Yucatan Foods and GreenLine Holding Company. 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 $0.9 million, $1.8 million, and $1.0 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, the Company determined that a valuation allowance of $4.1 million should be recorded as a result of uncertainty around the utilization of certain state and foreign net operating losses, and federal capital loss carryforward.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in thousands)	Year Ended		
	May 26, 2019	May 27, 2018	May 28, 2017
Unrecognized tax benefits – beginning of the period	$ 479	$ 537	$ 842
Gross increases – tax positions in prior period	29	21	11
Gross decreases – tax positions in prior period	—	—	(90)
Gross increases – current-period tax positions	133	116	93
Settlements	—	(95)	—
Lapse of statute of limitations	(25)	(100)	(319)
Unrecognized tax benefits – end of the period	$ 616	$ 479	$ 537

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.

As of May 26, 2019, the total amount of net unrecognized tax benefits is $0.6 million, of which, $0.5, if recognized, would change the effective tax rate. The Company accrues interest and penalties related to unrecognized tax benefits in its provision for income taxes. The total amount of penalties and interest is not material as of May 26, 2019. Additionally, the Company expects its unrecognized tax benefits to decrease by approximately $32,000 within the next 12 months.

Due to tax attribute carryforwards, the Company is subject to examination for tax years 2016 forward for U.S. tax purposes. The Company was also subject to examination in various state jurisdictions for tax years 2012 forward, none of which were individually material.

9. Commitments and Contingencies

Operating Leases

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

The approximate future minimum lease payments under these operating leases at May 26, 2019 are as follows (in thousands):

	Amount
Fiscal year 2020	$ 5,056
Fiscal year 2021	4,044
Fiscal year 2022	3,589
Fiscal year 2023	3,350
Fiscal year 2024	3,047
Thereafter	9,335
Total	$ 28,421

Rent expense for operating leases, including month to month arrangements was $7.3 million, $6.1 million and $5.6 million for the fiscal years 2019, 2018 and 2017, respectively.

Capital Leases

On September 3, 2015, Lifecore leased a 65,000 square foot building in Chaska, MN, two miles from its current facility. The initial term of the lease is seven years with two five-year renewal options. The lease contains a buyout option at any time after year seven with the purchase price equal to the mortgage balance on the lessor's loan secured by the building. Included in property, plant and equipment as of May 26, 2019 is $3.4 million associated with this capital lease. The monthly lease payment was initially $34,000 and increases by 2.4% per year. Lifecore and the lessor made capital improvements prior to occupancy and thus the lease did not become effective until January 1, 2016. Lifecore is currently using the building for warehousing and final packaging.

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

	Amount
Fiscal year 2020	$ 486
Fiscal year 2021	489
Fiscal year 2022	460
Fiscal year 2023	3,490
Fiscal year 2024	—
Thereafter	—
Total minimum lease payment	4,925
Less: amounts representing interest and taxes	(1,291)
Total	3,634
Less: current portion included in other accrued liabilities	(102)
Long-term capital lease obligation	$ 3,532

Purchase Commitments

At May 26, 2019, the Company was committed to purchase $30.6 million of produce and other materials.

Legal Contingencies

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

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

Curation Foods has been the target of a union organizing campaign which has included two 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' 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 three main types of claims: (1) Unfair Labor Practice claims ("ULPs") before the National Labor Relations Board ("NLRB"), (2) discrimination/wrongful termination claims before state and federal agencies and in individual arbitrations, and (3) wage and hour claims as part of two Private Attorney General Act ("PAGA") cases in state court and in over 100 individual arbitrations.

A settlement of the ULPs among the union, Curation Foods, and Pacific Harvest that were pending before the NLRB was approved on December 27, 2016 for $0.3 million. Curation Foods was responsible for half of this settlement, or $0.2 million. On May 5, 2017, the parties to the remaining actions executed a settlement agreement concerning the discrimination/wrongful termination claims and the wage and hour claims which covers all non-exempt employees of Pacific Harvest working at Curation Foods' Guadalupe, California processing facility from September 2011 through the settlement date. Under the settlement agreement, the plaintiffs are to be paid $6.0 million in three installments, $2.4 million of which was paid on July 3, 2017, $1.8 million of which was paid on November 22, 2017 and $1.8 million of which was paid in July 2018. The Company and Pacific Harvest have each agreed to pay one half of the settlement payments. The Company paid the entire first two installments of $4.2 million and will be reimbursed by Pacific Harvest for its $2.1 million portion, of which $1.0 million and $0.6 million is included in Prepaid and other current assets and Other assets, respectively, in the accompanying Consolidated Balance Sheets. This receivable will be repaid through monthly payments until fully paid, which the Company expects to occur by December 2020. The Company and Pacific Harvest each paid their portion of the third installment in July 2018. The Company's recourse against non-payment by Pacific Harvest is its security interest in assets owned by Pacific Harvest. The receivable is reviewed quarterly for collectability. At May 26, 2019, the Company has concluded that the receivable is collectible.

For fiscal years 2019, 2018 and 2017, the Company incurred legal expenses of $0, $0.6 million and $2.1 million, respectively, related to these actions. During the twelve months ended May 28, 2017, the Company recorded a legal settlement charge of $2.6 million related to these actions. As of May 26, 2019 and May 27, 2018, the Company had accrued $0 and $1.0 million related to these actions, which is included in Other accrued liabilities in the accompanying Consolidated Balance Sheets.

10. Business Segment Reporting

Prior to May 2018, the Company managed its business operations through three strategic reportable business segments: Packaged Fresh Vegetables, Food Export, and Biomaterials. These segments were based upon the information reported to the Chief Executive Officer, who is the chief operating decision maker ("CODM"). However, in May 2018, the Company discontinued its Food Export business segment. As a result, the Company met the requirements of ASC 205-20 and ASC 360 to report the results of the Food Export business segment as discontinued operations. The operating results for the Food Export business segment, for the twelve months ended May 27, 2018 and May 28, 2017, have been reclassified to discontinued operations and are no longer reported as a separate segment.

Beginning in fiscal year 2019, the Company realigned the management of its business and started using three strategic reportable business segments: the Curation Foods segment, the Lifecore segment, and the Other segment (previously known as Natural Foods, Biomaterials, and Other segments until the third quarter of fiscal 2019 when the Company completed the rebranding of its natural food business by announcing the new name Curation Foods. See Note 1 - Organization, Basis of Presentation, and Summary of Significant Accounting Policies for more information).

The Company decided to discontinue its Now Planting business during the fourth quarter of fiscal year 2019. As a result, the operating results for the Now Planting business are presented as a discontinued operations in the Company's accompanying Consolidated Financial Statements and the financial results for fiscal years 2019 have been reclassified to present the Now Planting business as a discontinued operation.

Curation Foods business includes (i) four natural food brands, including the Company's two existing brands, Eat Smart and O Olive Oil & Vinegar, as well as two new brands, Yucatan and Cabo Fresh acquired by the Company through the acquisition of Yucatan Foods during the third quarter of fiscal 2019 (see the Note 2 - Acquisitions for more details on this transaction), and (ii) BreatheWay® activities. 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, and sales of avocado products under the recently acquired brands Yucatan and Cabo Fresh.

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.

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	
Property and equipment, net	May 26, 2019	May 27, 2018
United States	$ 186.3	$ 159.6
Mexico	13.7	—
Total property and equipment, net	$ 200.0	$ 159.6

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 26, 2019	May 27, 2018	May 28, 2017
Canada	$ 83.6	$ 78.0	$ 69.3
Belgium	$ 15.1	$ 17.2	$ 21.0
Ireland	$ 5.0	$ 4.1	$ 4.0
All Other Countries	$ 5.1	$ 3.6	$ 4.6

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

Year Ended May 26, 2019	Curation Foods (1)	Lifecore	Other (2)	Total
Net sales	$ 481,686	$ 75,873	$ —	$ 557,559
Gross profit	49,305	31,698	—	81,003
Net income (loss) from continuing operations	(6,229)	12,070	(3,719)	2,122
Identifiable assets	367,352	145,558	6,181	519,091
Depreciation and amortization	10,360	4,140	730	15,230
Capital expenditures	30,583	12,965	1,186	44,734
Dividend income	1,650	—	—	1,650
Interest income	112	—	33	145
Interest expense, net	3,278	—	1,952	5,230
Income tax (benefit) expense	(1,373)	4,024	(1,133)	1,518
Year Ended May 27, 2018				
Net sales	$ 458,800	$ 65,427	$ —	$ 524,227
Gross profit	49,770	28,568	—	78,338
Net income (loss) from continuing operations	17,010	11,631	(2,880)	25,761
Identifiable assets (3)	264,067	129,342	11,294	404,703
Depreciation and amortization	8,196	3,679	537	12,412
Capital expenditures	13,052	16,454	4,084	33,590
Dividend income	1,650	—	—	1,650
Interest income	93	—	118	211
Interest expense, net	1,554	—	396	1,950
Income tax (benefit) expense	(9,748)	2,638	(2,253)	(9,363)
Year Ended May 28, 2017				
Net sales	$ 410,384	$ 59,392	$ —	$ 469,776
Gross profit	52,457	26,755	—	79,212
Net income (loss) from continuing operations	2,410	10,228	(2,503)	10,135
Identifiable assets (3)	219,739	104,492	34,377	358,608
Depreciation and amortization	7,312	3,054	311	10,677
Capital expenditures	11,476	11,169	358	23,003
Dividend income	1,650	—	—	1,650
Interest income	16	—	—	16
Interest expense, net	674	13	1,139	1,826
Income tax expense	823	2,938	279	4,040

(1) The Curation segment operating results for the year ended May 26, 2019 reflect the reclassification of the Now Planting brand to discontinued operations.

(2) The Other segment operating results for the year ended May 26, 2019, May 27, 2018, and May 28, 2017 have been restated to reflect the reclassification of the Now Planting brand and the Food Export segment to discontinued operations, and the reclassification of *O* operating results from the Other segment to the Curation Foods segment.

(3) Assets of discontinued operations are included in Other for the years ended May 27, 2018 and May 28, 2017.

11. Quarterly Consolidated Financial Information (unaudited)

The following is a summary of the unaudited quarterly results of operations for fiscal years 2019 and 2018 (in thousands, except for per share amounts):

Fiscal Year 2019	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Revenues	$ 124,668	$ 124,557	$ 155,554	$ 152,780	$ 557,559
Gross profit	16,337	16,885	21,569	26,212	81,003
Net income (loss) from continuing operations	335	(113)	1,533	367	2,122
Net income (loss) applicable to common stockholders	190	(584)	1,067	(262)	411
Net income per basic share from continuing operations	$ 0.01	$ —	$ 0.05	$ 0.01	$ 0.07
Net income per diluted share from continuing operations	$ 0.01	$ —	$ 0.05	$ 0.01	$ 0.07

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

Financials

12. Discontinued Operations

Now Planting and Food Export

During the fourth quarter of fiscal year 2019, the Company discontinued its Now Planting business. During the fourth quarter of fiscal year 2018, the Company discontinued its Food Export business. As a result, the Company met the requirements of ASC 205-20 to report the results of Now Planting and Food Export as discontinued operations and to classify any assets and liabilities as held for abandonment. The operating results for the Now Planting soup business and Food Export business have therefore been reclassified as a discontinued operation.

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

	Year Ended	
	May 26, 2019	May 27, 2018
Current and other assets, discontinued operations:		
Cash and cash equivalents	$ —	$ (8)
Accounts receivable	—	518
Inventory	—	—
Other assets	—	—
Total assets, discontinued operations	$ —	$ 510
Other current liabilities, discontinued operations:		
Accounts payable	$ 51	$ 230
Accrued expenses and other current liabilities	14	228
Total other current liabilities, discontinued operations	$ 65	$ 458

Once Now Planting and Food Export businesses were discontinued, the operations associated with these businesses qualified for reporting as discontinued operations. Accordingly, the operating results, net of tax, from discontinued operations are presented separately in the Company's consolidated statements of income and the notes to the consolidated financial statements have been adjusted to exclude Now Planting in fiscal year 2019 and Food Export in fiscal years 2018 and 2017. Components of amounts reflected in (loss) income from discontinued operations, net of tax are as follows (in thousands):

	Year Ended		
	May 26, 2019	May 27, 2018	May 28, 2017
Revenues	$ 548	$ 29,222	$ 62,481
Cost of sales	(1,649)	(27,619)	(58,507)
Research and development	(102)	—	—
Selling, general and administrative	(1,035)	(2,522)	(3,137)
Other	—	(269)	—
(Loss) income from discontinued operations before taxes	(2,238)	(1,188)	837
Income tax benefit (expense)	527	350	(295)
(Loss) income from discontinued operations, net of tax	$ (1,711)	$ (838)	$ 542

Cash provided by (used in) operating activities by the Now Planting business totaled $(1.3) million, $0, and $0 for the fiscal years ended May 26, 2019, May 27, 2018, and May 28, 2017, respectively. Cash provided by (used in) operating activities by the Food Export business totaled $0, $0.6 million, and $(0.5) million for the fiscal years ended May 26, 2019, May 27, 2018, and May 28, 2017, respectively.

Financials

(b) Index of Exhibits.

Exhibit Number	Exhibit Title
3.1	Certificate of Incorporation of Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated November 7, 2008.
3.2	Amended and Restated Bylaws of Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated October 16, 2012.
3.3	Amendment No. 1 to Bylaws of Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated May 7, 2019.
3.4	Amendment No. 2 to Bylaws of Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated May 24, 2019.
10.1	Form of Indemnification Agreement incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated October 12, 2018.
10.2	Agreement and Plan of Merger between Landec Corporation, a California corporation, and the Registrant, dated as of November 6, 2008, incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated November 7, 2008.
10.3*	2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated October 19, 2009.
10.4*	Form of Stock Grant Agreement for 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated October 19, 2009.
10.5*	Form of Notice of Stock Option Grant and Stock Option Agreement for 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.3 to the Registrant's Current Report on Form 8-K dated October 19, 2009.
10.6*	Form of Stock Unit Agreement for 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.4 to the Registrant's Current Report on Form 8-K dated October 19, 2009.
10.7*	Form of Stock Appreciation Right Agreement for 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.5 to the Registrant's Current Report on Form 8-K dated October 19, 2009.

Exhibit Number	Exhibit Title
10.8*	Nonqualified Deferred Compensation Plan, incorporated herein by reference to the Registrant's Current Report on Form 8-K dated July 31, 2013.
10.9*	2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated October 11, 2013.
10.10*	First Amendment to the 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated October 23, 2017.
10.11*	Form of Stock Grant Agreement for 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated October 11, 2013.
10.12*	Form of Notice of Stock Option Grant and Stock Option Agreement for 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.3 to the Registrant's Current Report on Form 8-K dated October 11, 2013.
10.13*	Form of Stock Unit Agreement for 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.4 to the Registrant's Current Report on Form 8-K dated October 11, 2013.
10.14*	Form of Stock Appreciation Right Agreement for 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.5 to the Registrant's Current Report on Form 8-K dated October 11, 2013.
10.15*	2019 Cash Bonus Plan, incorporated herein by reference to the Registrant's Current Report on Form 8-K dated May 30, 2018.
10.16*	Employment Agreement between the Registrant and Gregory S. Skinner effective as of January 31, 2019, incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated January 31, 2019.
10.17*	Employment Agreements between the Registrant and Molly A. Hemmeter effective as of January 31, 2019, incorporated herein by reference to Exhibits 10.1 to the Registrant's Current Report on Form 8-K dated January 31, 2019.
10.18	Loan Agreement dated February 26, 2016 between the Registrant, Apio, Inc., Apio Cooling LP and CF Equipment Loans LLC (successor-in-interest to General Electric Capital Corporation) incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated March 3, 2016.
10.19	Promissory Note dated February 26, 2016 issued by Apio to CF Equipment Loans, LLC, incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated March 3, 2016.
10.20	Promissory Note dated February 26, 2016 issued by Apio to CF Equipment Loans, LLC, incorporated herein by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated March 3, 2016.
10.21	Guaranty dated February 26, 2016 between the Registrant and CF Equipment Loans, LLC, incorporated herein by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K dated March 3, 2016.
10.22	Credit Agreement and Pledge and Security Agreement by and between the Registrant, and JPMorgan Chase Bank, N.A., BMO Harris Bank N.A., and City National Bank, dated September 23, 2016, incorporated herein by reference to Exhibits 10.1 and 10.2 to the Registrant's Current Report on Form 8-K dated September 29, 2016.
10.23*	Long-Term Incentive Plan for Fiscal Year 2020, incorporated herein by reference to Registrant's Current Report on Form 8-K dated July 19, 2017.
10.24*	Long-Term Incentive Plan for Fiscal Year 2021, incorporated herein by reference to the Registrant's Current Report on Form 8-K dated July 25, 2018.
10.25	Settlement Agreement amongst the Registrant, Apio, Inc., Rancho Harvest, Inc. and Pacific Harvest, Inc. and the plaintiffs named therein and Addendum to the Settlement Agreement effective as of May 5, 2017, incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated May 10, 2017.

Exhibit Number	Exhibit Title
10.26	Purchase Agreement dated as of April 26, 2018, by and between Apio, Inc. Michael R. Mills, San Ysidro Farms, Inc., B&D Farms, Mahoney Brothers, and RCM Farms, LLC, incorporated here by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated May 2, 2018.
10.27	Letter Agreement dated May 22, 2018 among Registrant, Nelson Obus and Wynnefield Capital, Inc. incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated May 25, 2018.
10.28	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 dated December 6, 2018.
10.29	Fourth Amendment and Joinder to the Credit Agreement and Other Loan Documents dated November 30, 2018 by and among Landec Corporation, Apio Inc., Lifecore Biomedical, Inc., Lifecore Biomedical, LLC, and GreenLine Logistics, Inc., GMO Harris Bank N.A., City National Bank, and JPMorgan Chase Bank, N.A, incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated December 6, 2018.
10.30	Employment Agreement between the Registrant and Albert D. Bolles, Ph.D., effective as of May 23, 2019, incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated May 23, 2019.
21.1	Subsidiaries of the Registrant at May 26, 2019 — State of Incorporation Curation Foods, Inc. — Delaware Lifecore Biomedical, Inc. — Delaware
23.1+	Consent of Independent Registered Public Accounting Firm
24.1+	Power of Attorney – See signature page
31.1+	CEO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
31.2+	CFO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1+	CEO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
32.2+	CFO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation
101.DEF**	XBRL Taxonomy Extension Definition
101.LAB**	XBRL Taxonomy Extension Labels
101.PRE**	XBRL Taxonomy Extension Presentation

*	Represents a management contract or compensatory plan or arrangement required to be filed as an exhibit to this report pursuant to Item 15(b) of Form 10-K.
**	Information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

Exhibit Number	Exhibit Title
+	Filed herewith.
#	Confidential treatment requested as to certain portions. The term "confidential treatment" and the mark "*" as used throughout the indicated Exhibit means that material has been omitted.

Financials

SIGNATURES

Pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Santa Clara, State of California, on August 1, 2019.

LANDEC CORPORATION

By: /s/ Gregory S. Skinner
Gregory S. Skinner
Executive Vice President of Finance and Administration and Chief Financial 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 Gregory S. Skinner, and each of them, as his attorney-in-fact, with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorney to any and all amendments to said Report on Form 10-K.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Albert D. Bolles, Ph.D. Albert D. Bolles, Ph.D.	President and Chief Executive Officer and Director (Principal Executive Officer)	August 1, 2019
/s/ Gregory S. Skinner Gregory S. Skinner	Executive Vice President of Finance and Administration and Chief Financial Officer	August 1, 2019
/s/ Debbie Carosella Debbie Carosella	Director	August 1, 2019
/s/ Frederick Frank Frederick Frank	Director	August 1, 2019
/s/ Nelson Obus Nelson Obus	Director	August 1, 2019
/s/ Tonia Pankopf Tonia Pankopf	Director	August 1, 2019
/s/ Andrew K. Powell Andrew K. Powell	Director	August 1, 2019
/s/ Catherine A. Sohn Catherine A. Sohn	Director	August 1, 2019
/s/ Robert Tobin Robert Tobin	Director	August 1, 2019

EXHIBIT INDEX

Exhibit Number	Exhibit Title
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney. See signature page.
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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.

Corporate Directory

CORPORATE MANAGEMENT

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

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

James G. Hall
President, Lifecore Biomedical

Parker Javid
Chief Customer and Sales Officer, Curation Foods

Brian McLaughlin
Chief Financial Officer, Curation Foods

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

CORPORATE COUNSEL
King & Spalding LLP
San Francisco, CA

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

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

STOCK LISTING
The Company's common stock is traded on the Nasdaq Global Select Market under the symbol LNDC. The Company has filed an annual report on Form 10-K with the Securities and Exchange Commission. Stockholders may obtain a copy of this report and Form 10-K without charge by writing the Company at:

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

Except for the historical information contained here, the matters discussed in the enclosed materials are forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ materially including risks detailed from time to time in the Company's filings with the Securities and Exchange Commission.

TRADEMARKS
The following are some of the official trademarks and service marks of the Landec Corporation and its subsidiaries:
Landec®
Intelimer®
Lifecore®
Clearly Fresh®
BreatheWay®
Eat Smart®
O Olive Oil & Vinegar®
Lurocoat® Ophthalmic Viscoelastic
Revitalure™
Yucatan®
Cabo Fresh®
Corgel® BioHydrogel
Ortholure™
Orthopedic Viscosupplement

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

Non-GAAP Financial Information and Reconciliations

The Company has disclosed non-GAAP financial measures to supplement its consolidated financial statements presented in accordance with GAAP. The non-GAAP financial measures exclude/include certain items that are included in the Company's results reported in accordance with GAAP as outlined in the table below. Management believes these non-GAAP financial measures provide useful additional information to investors about trends in the Company's operations and are useful for period-over-period comparisons. The non-GAAP financial measures should not be considered in isolation or as a substitute for the comparable GAAP measures. In addition, the non-GAAP financial measures may not be the same as similar measures provided by other companies due to the potential differences in methods of calculation and items being excluded/included. These non-GAAP financial measures should be read in conjunction with the Company's consolidated financial statements presented in accordance with GAAP.

LANDEC EBITDA	Twelve Months Ended	Twelve Months Ended
	May 26, 2019	**May 27, 2018**
Net Income	$2,122	$25,761
FMV Change in Windset Investment	(1,600)	(2,900)
Net Interest Expense and Taxes	6,603	(7,624)
Depreciation and Amortization	15,230	12,412
EBITDA	**$22,355**	**$27,649**

LANDEC Adjusted EBITDA		
Yucatan Operating Loss (1)	3,945	–
GreenLine Tradename Write-off	2,000	–
Severances and Related Expenses (1)	976	–
Eat Smart@Home Write-offs	274	–
O Earnout Reversal	(3,500)	(1,900)
Adjusted EBITDA	**$26,050**	**$25,749**
(1) Non-Recurring Cash Expense	$4,921	$–

Landec Environmental, Health and Safety Philosophy

People. Product. Planet.

Our first priority is the wellness of our employees and the quality and safety of our products, with a commitment to preserving our planet by conserving our natural resources. We categorize our sustainability efforts in three dimensions: *PEOPLE (Social Sustainability), PRODUCT (Product Sustainability), and PLANET (Environmental Sustainability) and publish our efforts in our Landec Sustainability Handbook.*

Our sustainability commitments are our promises to our employees, business partners, customers, shareholders and the communities in which we live, work and play.

Landec Sustainability Commitments:

PEOPLE: Social Sustainability

Respect: We are committed to respecting the human rights of all people.

Culture: We are fostering a community of continuous improvement and accountability.

Training: We are committed to programs that encourage skill development to educate and inspire our employees to reach their personal and professional goals.

PRODUCT: Product Sustainability

Quality & Safety: Consumers and customers trust us to provide them and their families with safe and high-quality products. We have established the highest standards for safety company-wide.

Real Food: Curation Foods provides fresh, plant-based products with 100% clean ingredients. Our food contains no added artificial colors, flavors, or preservatives.

Food Transparency: We know our growers. At Curation Foods, this direct relationship to the people and places that cultivate our food enables us to ensure the quality of our products from field to fork.

PLANET: Environmental Sustainability

Conserve Natural Resources: We focus on reducing environmental impact with conservation of natural resources, such as water, energy and raw materials.

Reduce, Reuse, And Recycle: We take great care to reduce the amount of waste used in all our facilities and whenever possible we are actively working to reduce, reuse and recycle and dispose of waste in an environmentally sustainable way.

Curation FOODS

Eat Smart

OLIVE OIL & VINEGAR®

CABO FRESH®

YUCATAN®

BreatheWay®

Lifecore BIOMEDICAL

LANDEC

2019 ANNUAL REPORT

Landec Corporation

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