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

FORM 10-Q

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

For the Fiscal Quarter Ended November 28, 2021, 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: **000-27446**

LANDEC CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**94-3025618**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
2811 Airpark Drive **Santa Maria, California**	**93455**
(Address of principal executive offices)	(Zip Code)

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

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, par value $0.001 per share	LNDC	The NASDAQ Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions 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	☒	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 Exchange Act). Yes ☐ No ☒

As of January 3, 2022, there were 29,481,330 shares of common stock outstanding.

LANDEC CORPORATION
FORM 10-Q
For the Fiscal Quarter Ended November 28, 2021

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

	November 28, 2021	May 30, 2021
	(unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,091	$ 1,295
Accounts receivable, less allowance for credit losses	65,276	70,013
Inventories	79,433	69,663
Prepaid expenses and other current assets	8,721	7,350
Total Current Assets	154,521	148,321
Investment in non-public company, fair value	—	45,100
Property and equipment, net	179,929	179,559
Operating lease right-of-use assets	11,979	20,827
Goodwill	37,329	69,386
Trademarks/tradenames, net	25,328	25,328
Customer relationships, net	9,799	10,792
Other assets	3,239	3,611
Total Assets	$ 422,124	$ 502,924
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 59,098	$ 47,569
Accrued compensation	7,214	12,304
Other accrued liabilities	9,804	7,996
Current portion of lease liabilities	2,988	3,889
Deferred revenue	1,160	1,130
Line of credit	42,000	29,000
Total Current Liabilities	122,264	101,888
Long-term debt, net	124,194	164,902
Long-term lease liabilities	14,203	23,611
Deferred taxes, net	1,367	6,140
Other non-current liabilities	3,894	3,599
Total Liabilities	265,922	300,140
Stockholders' Equity:		
Common stock, $0.001 par value; 50,000 shares authorized; 29,481 and 29,333 shares issued and outstanding at November 28, 2021 and May 30, 2021, respectively	29	29
Additional paid-in capital	166,327	165,533
Retained earnings (accumulated deficit)	(9,338)	38,580
Accumulated other comprehensive loss	(816)	(1,358)
Total Stockholders' Equity	156,202	202,784
Total Liabilities and Stockholders' Equity	$ 422,124	$ 502,924

See accompanying notes to the consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	November 28, 2021	November 29, 2020	November 28, 2021	November 29, 2020
Product sales	$ 129,492	$ 130,904	$ 258,280	$ 266,547
Cost of product sales	116,500	110,267	227,769	229,564
Gross profit	12,992	20,637	30,511	36,983
Operating costs and expenses:				
Research and development	2,718	2,572	5,544	5,080
Selling, general and administrative	13,835	16,106	29,774	34,009
Impairment of goodwill	32,057	—	32,057	—
Legal settlement charge	—	1,763	—	1,763
Restructuring costs	1,412	1,662	3,974	10,066
Total operating costs and expenses	50,022	22,103	71,349	50,918
Operating loss	(37,030)	(1,466)	(40,838)	(13,935)
Dividend income	—	281	—	563
Interest income	19	10	46	18
Interest expense	(4,333)	(3,039)	(12,250)	(6,148)
Other income (expense), net	79	(11,787)	188	(11,808)
Net loss before tax	(41,265)	(16,001)	(52,854)	(31,310)
Income tax benefit	2,824	2,700	4,936	7,009
Net loss	$ (38,441)	$ (13,301)	$ (47,918)	$ (24,301)
Net loss per common share:				
Basic	$ (1.30)	$ (0.45)	$ (1.63)	$ (0.83)
Diluted	$ (1.30)	$ (0.45)	$ (1.63)	$ (0.83)
Shares used in per share computation:				
Basic	29,471	29,280	29,448	29,261
Diluted	29,471	29,280	29,448	29,261
Other comprehensive income (loss), net of tax:				
Net unrealized gain (losses) on interest rate swaps (net of tax effect of $(100), $(121), $(190), and $(228))	$ 176	$ 401	$ 542	$ 705
Other comprehensive income (loss), net of tax	176	401	542	705
Total comprehensive loss	$ (38,265)	$ (12,900)	$ (47,376)	$ (23,596)

See accompanying notes to the consolidated financial statements.

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

Three and Six Months Ended November 28, 2021

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance at May 30, 2021	29,333	$ 29	$ 165,533	$ 38,580	$ (1,358)	$ 202,784
Issuance of stock under stock plans, net of shares withheld	129	—	—	—	—	—
Taxes paid by Company for employee stock plans	—	—	(428)	—	—	(428)
Stock-based compensation	—	—	620	—	—	620
Net loss	—	—	—	(9,477)	—	(9,477)
Other comprehensive income, net of tax	—	—	—	—	366	366
Balance at August 29, 2021	29,462	$ 29	$ 165,725	$ 29,103	$ (992)	$ 193,865
Issuance of stock under stock plans, net of shares withheld	19	—	—	—	—	—
Taxes paid by Company for employee stock plans	—	—	(84)	—	—	(84)
Stock-based compensation	—	—	686	—	—	686
Net loss	—	—	—	(38,441)	—	(38,441)
Other comprehensive income, net of tax	—	—	—	—	176	176
Balance at November 28, 2021	29,481	$ 29	$ 166,327	$ (9,338)	$ (816)	$ 156,202

Three and Six Months Ended November 29, 2020

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance at May 31, 2020	29,224	$ 29	$ 162,578	$ 71,245	$ (2,808)	$ 231,044
Issuance of stock under stock plans, net of shares withheld	18	—	—	—	—	—
Taxes paid by Company for employee stock plans	—	—	(82)	—	—	(82)
Stock-based compensation	—	—	892	—	—	892
Net loss	—	—	—	(11,000)	—	(11,000)
Other comprehensive income, net of tax	—	—	—	—	304	304
Balance at August 30, 2020	29,242	$ 29	$ 163,388	$ 60,245	$ (2,504)	$ 221,158
Issuance of stock under stock plans, net of shares withheld	81	—	—	—	—	—
Taxes paid by Company for employee stock plans	—	—	(215)	—	—	(215)
Stock-based compensation	—	—	895	—	—	895
Net loss	—	—	—	(13,301)	—	(13,301)
Other comprehensive income, net of tax	—	—	—	—	401	401
Balance at November 29, 2020	29,323	$ 29	$ 164,068	$ 46,944	$ (2,103)	$ 208,938

See accompanying notes to the consolidated financial statements.

LANDEC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended	
	November 28, 2021	November 29, 2020
Cash flows from operating activities:		
Net loss	$ (47,918)	$ (24,301)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Impairment of goodwill	32,057	—
Depreciation, amortization of intangibles, debt costs and right-of-use assets	10,959	9,826
Deferred taxes	(4,963)	(7,070)
Stock-based compensation expense	1,306	1,787
Provision for expected credit losses	196	102
Net loss (gain) on disposal of property and equipment held and used	22	(34)
(Gain) loss on disposal of property and equipment related to restructuring, net	(92)	6,005
Change in investment in non-public company, fair value	—	11,800
Other, net	(111)	21
Changes in current assets and current liabilities:		
Accounts receivable, net	4,541	9,559
Inventories	(9,770)	(4,891)
Prepaid expenses and other current assets	(1,784)	1,539
Accounts payable	15,148	10,539
Accrued compensation	(5,090)	(1,345)
Other accrued liabilities	1,163	4,627
Deferred revenue	30	292
Net cash (used in) provided by operating activities	(4,306)	18,456
Cash flows from investing activities:		
Sale of Investment in non-public company	45,100	—
Purchases of property and equipment	(13,010)	(7,407)
Proceeds from sales of property and equipment	1,082	12,885
Net cash provided by investing activities	33,172	5,478
Cash flows from financing activities:		
Payments on long-term debt	(41,426)	(20,062)
Proceeds from lines of credit	26,000	24,000
Payments on lines of credit	(13,000)	(24,400)
Payments for debt issuance costs	(132)	(1,237)
Taxes paid by Company for employee stock plans	(512)	(297)
Net cash used in financing activities	(29,070)	(21,996)
Net (decrease) increase in cash, cash equivalents and restricted cash	(204)	1,938
Cash, cash equivalents and restricted cash, beginning of period	1,295	553
Cash, cash equivalents and restricted cash, end of period	$ 1,091	$ 2,491
Supplemental disclosure of non-cash investing and financing activities:		
Purchases of property and equipment on trade vendor credit	$ 1,105	$ 1,526

See accompanying notes to the consolidated financial statements.

LANDEC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

Organization

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

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

Landec's natural food company, Curation Foods, Inc. ("Curation Foods"), is focused on innovating and distributing plant-based foods with 100% clean ingredients to retail, club and foodservice channels throughout North America. Curation Foods is able to maximize product freshness through its geographically dispersed family of growers, refrigerated supply chain and patented BreatheWay packaging technology. Its products are sold in natural food, conventional grocery and mass retail stores, primarily in the United States and Canada. The company categorizes revenue in three categories, fresh packaged salads and vegetables, avocado products and technology which reports revenues for BreatheWay patented supply chain solutions. Included in the Curation Foods segment and fresh packaged salads and vegetables revenue disaggregation is O Olive Oil & Vinegar ("*O*"), which is a premier producer of California specialty olive oils and wine vinegars. Also included in the Curation Foods segment are the dividends from and Landec's share of the change in the fair market value of the Company's 26.9% investment in Windset Holdings 2010 Ltd. ("Windset"), until the Company sold that investment on June 1, 2021.

Basis of Presentation

The accompanying unaudited consolidated financial statements of Landec have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring accruals) have been made which are necessary to present fairly the financial position of the Company at November 28, 2021, and the results of operations and cash flows for all periods presented. Although Landec believes that the disclosures in these financial statements are adequate to make the information presented not misleading, certain information normally included in financial statements and related footnotes prepared in accordance with GAAP have been condensed or omitted in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC"). The accompanying financial data should be reviewed in conjunction with the audited financial statements and accompanying notes included in Landec's Annual Report on Form 10-K for the fiscal year ended May 30, 2021 (the "Annual Report").

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.

The results of operations for the six months ended November 28, 2021 are not necessarily indicative of the results that may be expected for an entire fiscal year because there is some seasonality in Curation Foods' business and the order patterns of Lifecore's customers which may lead to significant fluctuations in Landec's quarterly results of operations.

Basis of Consolidation

The consolidated financial statements are presented on the accrual basis of accounting in accordance with 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.

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

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

Use of Estimates

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

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 Restricted Cash as presented on the Statements of Cash Flows

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows:

(In thousands)	November 28, 2021		May 30, 2021		November 29, 2020		May 31, 202	
Cash and cash equivalents	$	1,091	$	1,295	$	2,491	$	
Restricted cash		—		—		—		
Cash, cash equivalents and restricted cash	$	1,091	$	1,295	$	2,491	$	

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value and consist of the following:

(In thousands)	November 28, 2021		May 30, 2021	
Finished goods	$	42,967	$	39,493
Raw materials		31,924		23,942
Work in progress		4,542		6,228
Total	$	79,433	$	69,663

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.

Accounts Receivable, Sales Returns and Allowance for Credit Losses

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

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

The information obtained from assessing historical experience, current economic conditions and reasonable and supportable forecasts were used to identify risk characteristics that can affect future credit loss experience. There were no significant risk characteristics identified in the review of historical experiences or in the review of estimates of current economic conditions and forecasts.

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

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

	Balance at beginning of period	Provision for expected credit losses	Write offs, net of recoveries	Balance at end of period
Six months ended November 29, 2020	$ 438	$ 102	$ (263)	$ 277
Six months ended November 28, 2021	$ 279	$ 196	$ (148)	$ 327

Related Party Transactions

The Company sells and licenses its BreatheWay® food packaging technology to Windset, in which, as further described in Note 2, the Company had a 26.9% ownership interest until it sold that interest on June 1, 2021. During the three and six months ended November 29, 2020, the Company recognized revenues of $0.1 million and $0.3 million, respectively, from product sales to and license fees from Windset. This amount has been included in Product sales in the accompanying Consolidated Statements of Comprehensive (Loss) Income. The receivable balance of $0.1 million is included in Accounts receivable in the accompanying Consolidated Balance Sheets as of May 30, 2021.

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

Debt Issuance Costs

The Company records its line of credit debt issuance costs as an asset, and as such, $0.7 million and $2.1 million were recorded as Prepaid expenses and other current assets, and Other assets in the accompanying Consolidated Balance Sheets, respectively, as of November 28, 2021, and $0.7 million and $2.4 million, respectively, as of May 30, 2021. The Company records its term debt issuance costs as a contra-liability, and as such, $1.4 million and $4.5 million was recorded as Other accrued liabilities, and Long-term debt, net in the accompanying Consolidated Balance Sheets, respectively, as of November 28, 2021 and $1.4 million and $5.1 million, respectively, as of May 30, 2021.

Financial Instruments

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

Cash Flow Hedges

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

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

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

Accumulated Other Comprehensive Loss

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

(In thousands)		AOCL
Balance as of May 30, 2021	$	(1,358)
Amounts reclassified from OCI		542
Other comprehensive income, net	$	542
Balance as of November 28, 2021	$	(816)

The Company expects to reclassify approximately $0.5 million into earnings in the next 12 months.

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 November 28, 2021 and May 30, 2021. The Company has elected to account for its investment in Windset under the fair value option. See Note 2 – Investment in Non-public Company for further information. On June 1, 2021, the Company sold all of its equity interest in Windset to the Newell Capital Corporation and Newell Brothers Investment 2 Corp.

Assets Held for Sale

In January 2020, the Company decided to seek to divest its Curation Foods salad dressing plant in Ontario, California ("Ontario"). During fiscal year 2020, the Company (1) designated the fixed assets of its office and manufacturing space located in Ontario, California, as assets held for sale, and (2) recognized a $10.9 million impairment loss. In the first quarter of fiscal year 2021, the Company sold its interest in Ontario. The Company received net cash proceeds of $4.9 million in connection with the sale, and recorded a gain of $2.8 million during the six months ended November 29, 2020, which is included in Restructuring costs within the Consolidated Statements of Comprehensive (Loss) Income.

In June 2020 the Board of Directors approved a plan to close Curation Foods' underutilized manufacturing operations in Hanover, Pennsylvania ("Hanover"), sell the building and assets related thereto, and consolidate its operations into its manufacturing facilities in Guadalupe, California and Bowling Green, Ohio. In the first quarter of fiscal year 2021, the Company recognized an $8.8 million impairment loss, which is included in Restructuring costs within the Consolidated Statements of

Comprehensive (Loss) Income. During the second quarter of fiscal year 2021, the Company sold the Hanover building and assets related thereto for net proceeds of $8.0 million, no gain or loss was recorded upon the sale.

In May 2021 the Board of Directors approved a plan to sell Curation Foods' Rock Hill, South Carolina distribution facility. The $0.5 million carrying value of this asset was included in prepaid expenses and other current assets on the Consolidated Balance Sheets as of May 30, 2021, and was classified as an asset held for sale. There was no impairment recorded in fiscal year 2021. The asset was sold on June 9, 2021 for gross proceeds of $1.1 million. A gain of $0.6 million was recorded upon the sale, which is included in Restructuring costs within the Consolidated Statements of Comprehensive (Loss) Income.

Leases

Under Topic 842, the Company determines if an arrangement is a lease at inception. Right-of-use ("ROU") assets and liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. As most of the leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is a quoted rate based on the understanding of what the Company's credit rating would be. Certain agreements may contain the option to extend the lease term, terminate the lease before the contractual expiration date, or purchase the leased asset. The Company, when reasonably certain to exercise the option, considers these options in determining the measurement of the lease. The Company's lease agreements do not contain any material residual value guarantees.

The Company's lease agreements generally contain lease and non-lease components. Non-lease components primarily include payments for maintenance and utilities. The Company combines fixed payments for non-lease components with lease payments and accounts for them together as a single lease component which increases the amount of lease assets and liabilities.

Payments under lease arrangements are primarily fixed; however, certain lease agreements contain variable payments, which are expensed as incurred and are not included in the operating lease assets and liabilities. These amounts primarily include payments affected by changes in price indices.

Intangible Assets

The Company's intangible assets are comprised of customer relationships with a finite estimated useful life ranging from 11 years to 13 years, and trademarks/tradenames and goodwill with indefinite useful lives.

Impairment Review of Goodwill and Indefinite-Lived Intangible Asset

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

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

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

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

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

During the three and six months ended November 28, 2021, the Company recorded an impairment charge of $32.1 million related Goodwill for the Eat Smart business. The impairment charge was primarily a result of an indication of a decrease in the fair market value of our Eat Smart business driven by lower market valuations for the Eat Smart business and a decrease in projected cash flows. This impairment charge is included in the line item Impairment of goodwill on the Consolidated Statements of Comprehensive (Loss) Income, and is in the Curation Foods business segment.

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 November 28, 2021 and May 30, 2021, the Company held certain assets and liabilities that are required or it elected to be measured at fair value on a recurring basis, including its interest rate swap contracts. The investment in Windset was required to be measured at fair value on a recurring basis at May 30, 2021.

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

As of May 30, 2021, related to Curation Foods' distribution facility in Rock Hill, South Carolina the Company had $0.5 million in prepaid expenses and other current assets within the Consolidated Balance Sheet meeting the criteria of assets held for sale. These assets are recognized at the lower of cost or fair value less cost to sell using market approach. The fair value of these assets are classified as level 3 in the fair value hierarchy due to a mix of unobservable inputs utilized such as independent research in the market as well as actual quotes from market participants. See Note 8 for additional information.

The Company elected the fair value option of accounting for its investment in Windset. The calculation of fair value utilized significant unobservable inputs, including projected cash flows, growth rates, and discount rates. As a result, the Company's investment in Windset was considered to be a Level 3 measurement investment. The Company sold its entire investment in Windset on June 1, 2021 for $45.1 million. No gain or loss was recorded upon the sale of the Company's investment in Windset.

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

	November 28, 2021 Range (Weighted Average)	May 30, 2021 Range (Weighted Average)
Revenue growth rates	N/A	7% (6.9%)
Expense growth rates	N/A	0% to 8% (5.5%)
Discount rates	N/A	10%

Imprecision in estimating unobservable market inputs can affect the amount of gain or loss recorded for a particular position. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table summarizes the fair value of the Company's assets and liabilities that are measured at fair value on a recurring and nonrecurring basis:

(In thousands)	Fair Value at November 28, 2021			Fair Value at May 30, 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Assets held for sale - nonrecurring	$ —	$ —	$ —	$ —	$ —	$ 515
Investment in non-public company	—	—	—	—	—	45,100
Total assets	$ —	$ —	$ —	$ —	$ —	$ 45,615
Liabilities:						
Interest rate swap contracts	$ —	$ 830	$ —	$ —	$ 1,736	$ —
Total liabilities	$ —	$ 830	$ —	$ —	$ 1,736	$ —

The following table reflects the fair value roll forward reconciliation of Level 3 assets and liabilities measured at fair value for the six months ended November 28, 2021:

(In thousands)	Windset Investment
Balance as of May 30, 2021	$ 45,100
Sale of Investment in non-public company	(45,100)
Balance as of November 28, 2021	$ —

Revenue Recognition

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

Curation Foods

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

Lifecore

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

Aseptic

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

Development Services

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

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

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

Fermentation

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

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

(In thousands)	Three Months Ended		Six Months Ended	
Curation Foods:	November 28, 2021	November 29, 2020	November 28, 2021	November 29, 2020
Fresh packaged salads and vegetables	$ 88,548	$ 92,423	$ 178,044	$ 188,601
Avocado products	15,381	14,713	32,343	31,730
Technology	617	549	995	1,192
Total	$ 104,546	$ 107,685	$ 211,382	$ 221,523

(In thousands)	Three Months Ended		Six Months Ended	
Lifecore:	November 28, 2021	November 29, 2020	November 28, 2021	November 29, 2020
Contact development and manufacturing organization	$ 21,363	$ 18,259	$ 39,152	$ 34,747
Fermentation	3,583	4,960	7,746	10,277
Total	$ 24,946	$ 23,219	$ 46,898	$ 45,024

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 November 28, 2021 and May 30, 2021, were $12.6 million and $10.6 million, respectively.

Contract liabilities primarily relate to payments received from customers in advance of performance under the contract. The Company’s contract liabilities as of November 28, 2021 and May 30, 2021, were $1.3 million and $0.9 million, respectively. Revenue recognized during the three and six months ended November 28, 2021, that was included in the contract liability balance at the beginning of fiscal year 2022, was $0.0 million and $0.2 million, respectively.

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.

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, estimated 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.

Compliance Matters and Related Litigation

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

On October 21, 2019, the Company retained Latham & Watkins, LLP to conduct an internal investigation relating to potential environmental and Foreign Corrupt Practices Act (“FCPA”) compliance matters associated with regulatory permitting at the Tanok facility in Mexico. The Company subsequently disclosed to the U.S. Securities and Exchange Commission (“SEC”) and the U.S. Department of Justice (“DOJ”) the conduct under investigation, and these agencies have commenced an investigation. The Company also disclosed the conduct under investigation to the Office of the Attorney General in Mexico, which recently decided (a) that Curation Foods, Inc., did not commit or participate in the criminal conduct disclosed, (b) no criminal action would be taken against Curation Foods, Inc., (c) that no criminal liability was established against Tanok and Yucatan Foods after they were acquired by Curation Foods, Inc., and (d) the decisions do not apply to any individuals who may be responsible for misconduct. The Company also disclosed the misconduct to other regulators in Mexico. The Company continues to cooperate in the government investigations and requests for information. The conduct at issue began prior to the Yucatan Acquisition, and the agreement for the Yucatan Acquisition provides the Company with certain indemnification rights that may allow the Company to recover the cost of a portion of the liabilities that have been and may be incurred by the Company in connection with these compliance matters. On September 2, 2020, one of the former owners of Yucatan filed a lawsuit against the Company in Los Angeles County Superior Court for breach of employment agreement, breach of contract, breach of holdback agreement, declaratory relief and accounting, and related claims. The Plaintiff seeks over $10.0 million in damages, including delivery of shares of his stock held in escrow for the indemnification claims described above. On November 3, 2020, the Company filed an answer and cross-complaint against the Plaintiff and other parties for fraud, indemnification, and other claims, and seeking no less than $80 million in damages.

At this stage, the ultimate outcome of these or any other investigations, legal actions, or potential claims that may arise from the matters under investigation is uncertain and the Company cannot reasonably predict the timing or outcomes, or estimate the amount of net loss after indemnification, or its effect, if any, on its financial statements. Separately, there are indemnification provisions in the purchase agreement that may allow the Company to recover costs for breach of the purchase agreement from the seller. Because recovery of amounts are contingent upon a legal settlement, no amounts have been recorded as recoverable costs through November 28, 2021.

During the third quarter of fiscal year 2021 the Company reached a resolution with its insurance carrier that resulted in a recovery of $1.6 million. Absent further material developments in the investigation, the Company does not expect additional material recovery from the insurance carrier.

2. Investment in Non-public Company

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

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

During the three and six months ended November 29, 2020, the Company recorded $0.3 million and $0.6 million in dividend income, respectively. The change in the fair market value of the Company’s investment in Windset for the three and six months ended November 29, 2020 was a decrease of $11.8 million, and is included in Other expenses (income) in the accompanying Consolidated Statements of Comprehensive (Loss) Income.

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

3. Stock-based Compensation and Stockholders' Equity

Stock-Based Compensation Activity

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. Restricted stock units (“RSUs”) are valued at the closing market price of the Company’s common stock on the grant date. The Company uses the straight-line method to recognize the fair value of stock-based compensation arrangements.

During the three months ended November 28, 2021, the Company granted 0 options to purchase shares of common stock and awarded 0 RSUs. During the six months ended November 28, 2021, the Company granted 703,000 options to purchase shares of common stock and awarded 83,000 RSUs.

As of November 28, 2021, the Company has reserved 3.8 million shares of common stock for future issuance under its current and former equity plans.

Stock-Based Compensation Expense

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

The following table summarizes stock-based compensation by income statement line item:

	Three Months Ended		Six Months Ended	
(In thousands)	November 28, 2021	November 29, 2020	November 28, 2021	November 29, 2020
Cost of product sales	$ 83	$ 123	119	$
Research and development	51	64	100	
Selling, general and administrative	552	705	1,087	
Total stock-based compensation	$ 686	$ 892	1,306	$

As of November 28, 2021, there was $3.9 million of total unrecognized compensation expense related to unvested equity compensation awards granted under the Landec incentive stock plans. Total expense is expected to be recognized over the weighted-average period of 2.21 years for stock options and 1.24 years for RSUs.

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 still repurchase up to $3.8 million of the Company’s common stock under the Company’s stock repurchase plan. 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 the six months ended November 28, 2021, the Company did not purchase any shares on the open market.

4. Diluted Earnings Per Share

The following table sets forth the computation of diluted earnings per share:

(In thousands, except per share amounts)	Three Months Ended November 28, 2021	Three Months Ended November 29, 2020	Six Months Ended November 28, 2021	Six Months Ended November 29, 202(
Numerator:				
Net loss applicable to common stockholders	$ (38,441)	$ (13,301)	$ (47,918)	$ (24,3
Denominator:				
Weighted average shares for basic net loss per share	29,471	29,280	29,448	29,2
Effect of dilutive securities:				
Stock options and restricted stock units	—	—	—	
Weighted average shares for diluted net loss per share	29,471	29,280	29,448	29,2
Diluted net loss per share	$ (1.30)	$ (0.45)	$ (1.63)	$ (0.

Due to the Company's net loss for the three and six months ended November 28, 2021 and November 29, 2020, the net loss per share includes only weighted average shares outstanding. For the three months ended November 28, 2021 and November 29, 2020, the computation of the diluted net loss per share excludes the impact of options to purchase 2.7 million and 3.2 million shares of common stock, respectively, as such impacts would be antidilutive for these periods. For the six months ended November 28, 2021 and November 29, 2020, the computation of the diluted net loss per share excludes the impact of options to purchase 2.2 million and 2.3 million shares of common stock, respectively, as such impacts would be antidilutive for these periods.

5. Income Taxes

The provision for income taxes for the six months ended November 28, 2021 and November 29, 2020, was a benefit of $4.9 million and $7.0 million, respectively. The effective tax rate for the six months ended November 28, 2021 and November 29, 2020 was 9% and 22%, respectively. The effective tax rate for the six months ended November 28, 2021, was lower than the statutory federal income tax rate of 21% primarily due to the movement of the valuation allowance recorded against certain deferred tax assets, partially offset by the impact of state taxes.

As of November 28, 2021 and May 30, 2021, the Company had unrecognized tax benefits of $1.1 million and $0.9 million, respectively. Included in the balance of unrecognized tax benefits as of November 28, 2021 and May 30, 2021, is $1.0 million and $0.8 million, respectively, of tax benefits that, if recognized, would result in an adjustment to the Company's effective tax rate. The Company does not expect its unrecognized tax benefits to change significantly within the next twelve months.

The Company has elected to classify interest and penalties related to uncertain tax positions as a component of its provision for income taxes. The Company has accrued an insignificant amount of interest and penalties relating to the income tax on the unrecognized tax benefits as of November 28, 2021 and May 30, 2021.

Due to tax attribute carryforwards, the Company is subject to examination for tax years 2017 forward for U.S. tax purposes. The Company is also subject to examination in various state jurisdictions for tax years 2015 forward, none of which were significant.

6. Debt

Long-term debt, net consists of the following:

(In thousands)	November 28, 2021	May 30, 2021
Term loan	$ 128,647	$ 170,000
Total principal amount of long-term debt	128,647	170,000
Less: unamortized debt issuance costs	(4,453)	(5,098)
Total long-term debt, net of unamortized debt issuance costs	124,194	164,902
Less: current portion of long-term debt, net	—	—
Long-term debt, net	$ 124,194	$ 164,902

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

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

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

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

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

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

In connection with the New Credit Agreements, the Company incurred debt issuance costs from the lender and third-parties of $10.3 million.

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

As of November 28, 2021, $42.0 million was outstanding on the Refinance Revolver, at an interest rate of 3.00%. As of November 28, 2021, the Refinance Term Loan had an interest rate of 9.5%. As of November 28, 2021, the Company was in compliance with all financial covenants and had no events of default under the New Credit Agreements.

Derivative Instruments

On November 1, 2016, the Company entered into an interest rate swap contract (the “2016 Swap”) with BMO at a notional amount of $50.0 million. The 2016 Swap had the effect of changing the Company’s previous Term Loan obligation from a variable interest rate to a fixed 30-day LIBOR rate of 1.22%. The 2016 Swap matured in September 2021.

On June 25, 2018, the Company entered into an interest rate swap contract (the “2018 Swap”) with BMO at a notional amount of $30.0 million. The 2018 Swap had the effect on the Company’s previous debt of converting the first $30.0 million of the total outstanding amount of the Company’s 30-day LIBOR borrowings from a variable interest rate to a fixed 30-day LIBOR rate of 2.74%. The 2018 Swap matured in September 2021.

On December 2, 2019, the Company entered into an interest rate swap contract (the "2019 Swap") with BMO at a notional amount of $110.0 million which decreases quarterly. The 2019 Swap had the effect on our previous debt of converting primarily all of the $110.0 million of the total outstanding amount of the Company's 30-day LIBOR borrowings from a variable interest rate to a fixed 30-day LIBOR rate of 1.53%. The 2019 Swap will mature in November 2022.

7. Business Segment Reporting

The Company operates using three strategic reportable business segments, aligned with how the Chief Executive Officer, who is the chief operating decision maker (“CODM”), manages the business: the Curation Foods segment, the Lifecore segment, and the Other segment.

The Curation Foods business includes (i) four natural food brands, including Eat Smart, *O* Olive Oil & Vinegar, Yucatan Foods, and Cabo Fresh, (ii) BreatheWay® activities, and (iii) activity related to the Company’s previously held investment in Windset. The Curation Foods segment includes activities to market and pack specialty packaged whole and fresh-cut fruit and vegetables, the majority of which incorporate the BreatheWay specialty packaging for the retail grocery, club store and food services industry and are sold primarily under the Eat Smart brand and various private labels. The Curation Foods segment also includes sales of BreatheWay packaging to partners for fruit and vegetable products, sales of olive oils and wine vinegars under the *O* brand, sales of avocado products under the brands Yucatan Foods and Cabo Fresh, and activity related to the Company’s previously held investment in Windset.

The Lifecore segment sells products utilizing hyaluronan, a naturally occurring polysaccharide that is widely distributed in the extracellular matrix of connective tissues in both animals and humans, and non-HA products for medical use primarily in the Ophthalmic, Orthopedic and other markets.

The Other segment includes corporate general and administrative expenses, non-Curation Foods and non-Lifecore interest expense, interest income, and income tax expenses. Corporate overhead is allocated between segments based on actual utilization and relative size.

All of the Company's assets are located within the United States of America except for its Yucatan production facility in Mexico.

The Company’s international sales by geography are based on the billing address of the customer and were as follows:

	Three Months Ended		Six Months Ended	
(In millions)	November 28, 2021	November 29, 2020	November 28, 2021	November 29, 2020
Canada	$ 12.4	$ 13.7	$ 27.3	$ 30
Switzerland	2.0	0.7	5.4	0
Czech Republic	0.8	1.2	1.7	1
Ireland	0.7	0.4	0.8	1
Belgium	—	2.8	—	6
All Other Countries	3.6	0.9	5.2	2

Operations by business segment consisted of the following:

(In thousands)	Curation Foods	Lifecore	Other	Total
Three Months Ended November 28, 2021				
Net sales	$ 104,546	$ 24,946	$ —	$ 129,492
Gross profit	1,277	11,715	—	12,992
Net (loss) income	(33,239)	5,682	(10,884)	(38,441)
Depreciation and amortization	3,533	1,673	26	5,232
Interest income	—	19	—	19
Interest expense	1,376	—	2,957	4,333
Income tax (benefit) expense	(10,496)	1,794	5,878	(2,824)
Corporate overhead allocation	1,231	1,078	(2,309)	—
Six Months Ended November 28, 2021				
Net sales	$ 211,382	$ 46,898	$ —	$ 258,280
Gross profit	13,032	17,479	—	30,511
Net (loss) income	(35,366)	6,262	(18,814)	(47,918)
Depreciation and amortization	6,724	3,220	52	9,996
Interest income	—	39	7	46
Interest expense	2,752	—	9,498	12,250
Income tax (benefit) expense	(11,176)	1,978	4,262	(4,936)
Corporate overhead allocation	2,703	2,214	(4,917)	—
Three Months Ended November 29, 2020				
Net sales	$ 107,685	$ 23,219	$ —	$ 130,904
Gross profit	10,163	10,474	—	20,637
Net (loss) income	(12,383)	4,492	(5,410)	(13,301)
Depreciation and amortization	2,906	1,360	26	4,292
Dividend income	281	—	—	281
Interest income	—	—	10	10
Interest expense	1,376	—	1,663	3,039
Income tax (benefit) expense	(3,911)	1,419	(208)	(2,700)
Corporate overhead allocation	1,402	1,162	(2,564)	—
Six Months Ended November 29, 2020				
Net sales	$ 221,523	$ 45,024	$ —	$ 266,547
Gross profit	21,507	15,476	—	36,983
Net (loss) income	(20,654)	4,604	(8,251)	(24,301)
Depreciation and amortization	6,316	2,669	54	9,039
Dividend income	563	—	—	563
Interest income	—	—	18	18
Interest expense	2,751	—	3,396	6,148
Income tax (benefit) expense	(6,523)	1,454	(1,940)	(7,009)
Corporate overhead allocation	3,258	2,565	(5,823)	—

During the six months ended November 28, 2021 and November 29, 2020, sales to the Company’s top five customers accounted for 49% and 49% of sales, respectively. The Company’s top two customers, Costco Wholesale Corporation and

Walmart Stores, Inc., from the Curation Foods segment, accounted for 16% and 15%, respectively, of revenues for the six months ended November 28, 2021, and 18% and 15%, respectively, for the six months ended November 29, 2020.

8. Restructuring Costs

During fiscal year 2020, the Company announced a restructuring plan to drive enhanced profitability, focus the business on its strategic assets and redesign the organization to be the appropriate size to compete and thrive. This includes a reduction-in-force, a reduction in leased office spaces and the sale of non-strategic assets.

The following table summarizes the restructuring costs recognized in the Company’s Consolidated Statements of Comprehensive (Loss) Income, by Business Segment:

(in thousands)	Curation Foods	Lifecore	Other	Total
Three Months Ended November 28, 2021				
Asset write-off costs	$ —	$ —	$ —	$ —
Employee severance and benefit costs	410	—	—	410
Lease costs	—	—	—	—
Other restructuring costs	293	—	709	1,002
Total restructuring costs	$ 703	$ —	$ 709	$ 1,412

(in thousands)	Curation Foods	Lifecore	Other	Total
Six Months Ended November 28, 2021				
Asset write-off costs	$ (567)	$ —	$ —	$ (567)
Employee severance and benefit costs	680	—	—	680
Lease costs	468	—	—	468
Other restructuring costs	1,318	—	2,075	3,393
Total restructuring costs	$ 1,899	$ —	$ 2,075	$ 3,974

Asset write-off costs

Asset write-off costs are costs related to impairment or disposal of property and equipment as part of the Company's restructuring plan to drive enhanced profitability, focus the business on its strategic assets and redesign the organization to be the appropriate size to compete and thrive. These costs are included in restructuring costs within the Consolidated Statements of Statements of Comprehensive (Loss) Income. See the Assets Held for Sale section within Note 1 for additional information.

In the first quarter of fiscal year 2021, the Company sold its interest in Ontario. The Company received net cash proceeds of $4.9 million in connection with the sale and recorded a gain of $2.8 million.

In the first quarter of fiscal year 2021, the Company recognized an $8.8 million impairment loss related to its Hanover building and related assets which were sold in the second quarter of fiscal year 2021.

In the first quarter of fiscal year 2022, the Company recognized a $0.6 million gain on sale related to its Rock Hill, South Carolina distribution facility.

Employee severance and benefit costs

Employee severance and benefit costs are costs incurred as a result of reduction-in-force driven by our restructuring plan and closure of offices and facilities. These costs were driven primarily by the closure of our San Rafael, California office, Santa Clara, California office, Los Angeles, California office, the sale of our Hanover manufacturing facility, and our transportation management, warehousing, and transportation services agreement with Castellini Company, LLC.

Lease Costs

In August 2020, the Company closed its leased Santa Clara, California office and entered into a sublease agreement. In the fourth quarter of fiscal year 2020 the Company closed its leased Los Angeles, California office and plans to sublease the office.

Other restructuring costs

Other restructuring costs are primarily related to consulting costs incurred in connection with the execution of the Company's restructuring plan to drive enhanced profitability, focus the business on its strategic assets, and redesign the organization to be the appropriate size to compete and thrive.

The following table summarizes the restructuring costs recognized in the Company's Consolidated Statements of (Loss) Income, by Business Segment, since inception of the restructuring plan in fiscal year 2020 through the six months ended November 28, 2021:

(in thousands)	Curation Foods	Lifecore	Other	Total
Asset write-off costs, net	$ 19,898	$ —	$ 418	$ 20,316
Employee severance and benefit costs	4,183	—	784	4,967
Lease costs	3,102	—	26	3,128
Other restructuring costs	7,228	—	5,803	13,031
Total restructuring costs	$ 34,411	$ —	$ 7,031	$ 41,442

The total expected cost related to the restructuring plan is approximately $45.0 million.

9. Subsequent Events

COVID-19 Pandemic

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

Eat Smart Disposition

On December 13, 2021 (the "Closing Date"), the Company and its wholly owned subsidiary, Curation Foods (together with the Company, the "Sellers"), and Taylor Farms Retail, Inc. ("Taylor Farms" and together with the Sellers, the "Parties") completed the sale (the "Eat Smart Disposition") of Curation Food's Eat Smart business, including its salad and cut vegetable businesses (the "Business"), pursuant to the terms of an asset purchase agreement executed by the Parties on December 13, 2021 (the "Asset Purchase Agreement"). Pursuant to the Asset Purchase Agreement, Taylor Farms acquired the Business for a purchase price of $73.5 million in cash, subject to a post-closing adjustment based upon net working capital at closing. As part of the Eat Smart Disposition, Taylor Farms acquired, among other assets related to the Business, the manufacturing facility and warehouses (and corresponding equipment) located in Bowling Green, Ohio and Guadalupe, California, as well as inventory, accounts receivable and accounts payable, intellectual property and information of the Business, and assumed certain executory obligations under the Company's and Curation's outstanding contracts related to the Business, in each case, subject to the terms of the Asset Purchase Agreement. See Note 1 - Impairment Review of Goodwill and Indefinite-Lived Intangible Asset for discussion of the Company's impairment of Goodwill related to Eat Smart.

Santa Maria, California Office Building Lease

The Company leases its main office located in Santa Maria, California (the "Santa Maria Office"). Subsequent to November 28, 2021, the Company approved a plan to explore opportunities to sub lease its Santa Maria Office. The Santa Maria Office assets, included as lease hold improvements within property and equipment, net, has been designated as held for use within the Consolidated Balance Sheets as of November 28, 2021, as no finalized plan for disposition existed at the balance sheet date. At this time the Company is not able to estimate the range of any gains or losses this transaction may have to the Company's financial statements. The net carrying value of the designated fixed assets as of November 28, 2021 is $3.4 million. As of November 28, 2021, the right-of-use asset associated with the Santa Maria Office was $4.3 million and the total lease liability was $5.5 million.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the unaudited consolidated financial statements and accompanying notes included in Part I, Item 1, of this Form 10-Q and the audited consolidated financial statements and accompanying notes and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in Landec’s Annual Report on Form 10-K for the fiscal year ended May 30, 2021.

This Quarterly Report on Form 10-Q, 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, as amended, and the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Words such as “anticipate”, “estimate”, “expect”, “project”, “plan”, “intend”, “believe”, “may”, “might”, “will”, “should”, “can have”, “likely” and similar expressions are used to identify forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected. Potential risks and uncertainties include, without limitation, the timing and expenses associated with operations, the ability to achieve acceptance of our new products in the market place, weather conditions that can affect the supply and price of produce, government regulations affecting our business, uncertainties related to COVID-19 and the impact of our responses to it, the timing of regulatory approvals, the ability to successfully integrate Yucatan Foods into the Curation Foods business, the mix between domestic and international sales, and those other risks mentioned in this report and in our Annual Report on Form 10-K for the fiscal year ended May 30, 2021.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Accordingly, our actual results could differ materially from those projected in the forward-looking statements for many reasons, including the risk factors listed in Item 1A. “Risk Factors” and in our Annual Report on Form 10-K for the fiscal year ended May 30, 2021.

All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements as well as others made in this report, our Annual Report on Form 10-K for the fiscal year ended May 30, 2021, and hereafter in our other SEC filings and public communications.

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

Critical Accounting Policies and Use of Estimates

There have been no material changes to the Company's critical accounting policies and use of estimates from those disclosed in the Company’s Form 10-K for the fiscal year ended May 30, 2021. For a discussion of our critical accounting policies and use of estimates, refer to Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Use of Estimates in Part II, Item 7 of the Company’s Annual Report on Form 10-K for the fiscal year ended May 30, 2021.

Recently Issued Accounting Pronouncements

The Company is subject to several recently issued accounting pronouncements. Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies – Recently Adopted Accounting Pronouncements of the Notes to the Consolidated Financial Statements which is contained in Part I, Item 1 of this Quarterly Report on Form 10-Q, describes these new accounting pronouncements and is incorporated herein by reference.

The Company

Corporate Overview

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

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

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

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

Reportable Segments

Landec has three reportable business segments – Curation Foods, Lifecore and Other, which are described below.

Curation Foods

Curation Foods Overview

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

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

Curation Foods Brands

Eat Smart: Prior to the completion of the Eat Smart Disposition on December 13, 2021, the Company sold specialty fresh packaged Eat Smart branded and private label salads, fresh-cut vegetables and whole produce to retailers, club stores, and food service operators, primarily in the United States and Canada. Within the Eat Smart brand, produce was processed by trimming, washing, sorting, blending, and packaging into bags and trays.

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

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

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

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

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

Lifecore Biomedical

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

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

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

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

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

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

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

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

Other

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

COVID-19 Pandemic

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

Results of Operations

Revenues:

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

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

(In thousands)	Three Months Ended		Change		Six Months Ended	
	November 28, 2021	November 29, 2020	Amount	%	November 28, 2021	November 29, 2020
Curation Foods	$ 104,546	$ 107,685	$ (3,139)	(3) %	$ 211,382	$ 221,523
Lifecore	24,946	23,219	1,727	7 %	46,898	45,024
Total Revenues	$ 129,492	$ 130,904	$ (1,412)	(1) %	$ 258,280	$ 266,547

Curation Foods

The decrease in Curation Foods' revenues for the three and six months ended November 28, 2021, compared to the same period last year, was primarily driven by the planned reduction in Curation Foods' legacy vegetable and tray business in connection with Project SWIFT and COVID-19 pandemic headwinds. The pandemic has delayed customer store resets and the penetration of new product innovations, and continues to pressure the foodservice channel.

Lifecore

The increase in Lifecore's revenues for the three months ended November 28, 2021, compared to the same period last year, was due to a $3.1 million increase in CDMO revenues from an increase in development services activities primarily due to higher sales to existing customers, partially offset by a $1.4 million decrease in fermentation sales primarily due to timing of shipments shifting to the second half of the year.

The increase in Lifecore's revenues for the six months ended November 28, 2021, compared to the same period last year, was due to a $4.4 million increase in CDMO revenues from an increase in development services activities primarily due to higher sales to existing customers, partially offset by a $2.5 million decrease in fermentation sales primarily due to timing of shipments shifting to the second half of the year.

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)	Three Months Ended		Change		Six Months Ended	
	November 28, 2021	November 29, 2020	Amount	%	November 28, 2021	November 29, 2020
Curation Foods	$ 1,277	$ 10,163	$ (8,886)	(87) %	$ 13,032	$ 21,507
Lifecore	11,715	10,474	1,241	12 %	17,479	15,476
Total Gross Profit	$ 12,992	$ 20,637	$ (7,645)	(37) %	$ 30,511	$ 36,983

Curation Foods

The decrease in gross profit for the Curation Foods business for the three and six months ended November 28, 2021, compared to the same period last year, was primarily driven by the planned reduction in Curation Foods' legacy vegetable and tray business in connection with Project SWIFT and COVID-19 pandemic headwinds, combined with increased raw product sourcing costs.

Lifecore

The increase in gross profit for the Lifecore business for the three and six months ended November 28, 2021, compared to the same period last year, was due primarily to the increased revenue, as well as a favorable sales mix.

Operating Expenses:

Research and Development

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

(In thousands)	Three Months Ended		Change		Six Months Ended		
	November 28, 2021	November 29, 2020	Amount	%	November 28, 2021	November 29, 2020	A
Curation Foods	$ 1,055	$ 1,131	$ (76)	(7) %	$ 2,213	$ 2,069	$
Lifecore	1,663	1,441	222	15 %	3,331	3,011	
Total R&D	$ 2,718	$ 2,572	$ 146	6 %	$ 5,544	$ 5,080	$

The increase in R&D expenses for the three and six months ended November 28, 2021, compared to the same periods last year, was primarily due to higher salary and benefits expenses, including increased headcount, in our Lifecore Segment.

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)	Three Months Ended		Change		Six Months Ended		
	November 28, 2021	November 29, 2020	Amount	%	November 28, 2021	November 29, 2020	
Curation Foods	$ 8,591	$ 7,759	$ 832	11 %	$ 17,952	$ 18,343	
Lifecore	1,517	1,961	(444)	(23) %	3,732	3,841	
Other	3,727	6,386	(2,659)	(42) %	8,090	11,825	
Total SG&A	$ 13,835	$ 16,106	$ (2,271)	(14) %	$ 29,774	$ 34,009	

The decrease in total SG&A expenses for the three and six months ended November 28, 2021, compared to the same period last year, was due primarily to a decrease at our Other segment primarily due to a decrease in legal fees from compliance and other litigation matters.

Restructuring Costs

(In thousands)	Three Months Ended		Change		Six Months Ended		
	November 28, 2021	November 29, 2020	Amount	%	November 28, 2021	November 29, 2020	
Curation Foods	$ 703	$ 1,506	$ (803)	(53) %	$ 1,899	$ 9,263	$
Other	709	156	553	354 %	2,075	803	
Total Restructuring Costs	$ 1,412	$ 1,662	$ (250)	(15) %	$ 3,974	$ 10,066	$

During fiscal year 2020, the Company announced a restructuring plan to drive enhanced profitability, focus the business on its strategic assets and redesign the organization to be the appropriate size to compete and thrive. This includes a reduction-in-force, a reduction in leased office spaces and the sale of non-strategic assets. For the three months ended November 28, 2021 and November 29, 2020 the Company recorded restructuring costs of $1.4 million and $1.7 million, respectively, related to the restructuring plan. For the six months ended November 28, 2021 and November 29, 2020 the Company recorded restructuring costs of $4.0 million and $10.1 million, respectively, related to the restructuring plan. Refer to Note 8 - Restructuring Costs in the notes to our consolidated financial statements for more information.

Other:

(In thousands)	Three Months Ended		Change		Six Months Ended		Change	
	November 28, 2021	November 29, 2020	Amount	%	November 28, 2021	November 29, 2020	Amount	%
Dividend Income	$ —	$ 281	$ (281)	(100)%	$ —	$ 563	$ (563)	(100)%
Interest Income	$ 19	$ 10	$ 9	90 %	$ 46	$ 18	$ 28	156 %
Interest Expense	$ (4,333)	$ (3,039)	$ (1,294)	43 %	$ (12,250)	$ (6,148)	$ (6,102)	99 %
Other Income (Expense)	$ 79	$ (11,787)	$ 11,866	(101)%	$ 188	$ (11,808)	$ 11,996	(102)%
Income Tax Benefit	$ 2,824	$ 2,700	$ 124	5 %	$ 4,936	$ 7,009	$ (2,073)	(30)%

Dividend Income

Dividend income is derived from the dividends accrued on the Company's previously held $15.0 million Senior A preferred stock investment in Windset, which yielded a cash dividend of 7.5% annually. The Company sold its remaining investment in Windset on June 1, 2021, accordingly there was no dividend income in the three and Six months ended November 28, 2021.

Interest Income

The increase in interest income for the three and six months ended November 28, 2021, compared to the same periods last year, was not significant.

Interest Expense

The increase in interest expense for the three and six months ended November 28, 2021, compared to the same periods last year, was primarily a result of prepaid interest and prepayment penalties incurred related to payments made on our term debt resulting from the sales of our investment in Windset, combined with higher interest rates and an increase in deferred financing costs incurred as a result of our debt refinancing in December 2020.

Other Income (Expense)

The increase in other income (expense) for the three and six months ended November 28, 2021, compared to the same periods last year, was primarily the result of the decrease in fair value of our investment in Windset of $11.8 million in fiscal year 2021.

Income Taxes

The change in income tax benefit for the six months ended November 28, 2021, compared to the same periods last year was primarily due to the Company's effective tax rate decreasing from 22% to 9%. The effective tax rate for the six months ended November 28, 2021 was lower than the statutory federal income tax rate of 21% primarily due to the movement of the valuation allowance recorded against certain deferred tax assets, partially offset by the impact of state taxes. The effective tax rate for the six months ended November 29, 2020, was higher than the statutory federal income tax rate of 21% primarily due to the generation of federal & state R&D credits and impact of states taxes, partially offset by the movement of the valuation allowance recorded against certain deferred tax asset.

Liquidity and Capital Resources

As of November 28, 2021, the Company had cash and cash equivalents of $1.1 million, a net decrease of $0.2 million from $1.3 million as of May 30, 2021.

Cash Flow from Operating Activities

Net cash used in operating activities during the six months ended November 28, 2021 was $4.3 million, compared to $18.5 million of net cash provided by operating activities for the same period last year. The primary sources of net cash used in operating activities during the six months ended November 28, 2021 were (1) a $47.9 million net loss, and (2) a $5.0 million reduction in deferred taxes. These uses of cash were partially offset by (1) $32.1 million goodwill impairment, (2) $12.3 million of depreciation/amortization and stock based compensation expense, and (3) $4.2 million net decrease in working capital.

The primary factors for the decrease in working capital during the six months ended November 28, 2021, was a $15.1 million decrease in accounts payable due primarily to the timing of payments, partially offset by an increase in inventory of $9.8 million driven by production in our Avocado Products division.

Cash Flow from Investing Activities

Net cash provided by investing activities during the six months ended November 28, 2021 was $33.2 million, compared to $5.5 million for the same period last year. Net cash provided by investing activities during the six months ended November 28, 2021 was primarily due to the receipt of $45.1 million related to the sale of the Company's investment in Windset, partially offset by the purchase of $13.0 million of equipment to support the growth of the Company's Curation Foods and Lifecore businesses.

Cash Flow from Financing Activities

Net cash used in financing activities during the six months ended November 28, 2021 was $29.1 million compared to $22.0 million for the same period last year. The net cash used in financing activities during the six months ended November 28, 2021 was primarily due to $41.4 million of debt pay downs under the Company's term loan, partially offset by a $13.0 million net increase in the Company's line of credit.

Capital Expenditures

During the six months ended November 28, 2021, Landec incurred $13.0 million of capital expenditures, which was primarily represented by facility expansions and purchased equipment to support the growth of the Lifecore and Curation Foods businesses, compared to capital expenditures of $7.4 million for the six months ended November 29, 2020. During the six months ended November 28, 2021, capital expenditures for Lifecore and Curation Foods were $8.9 million and $4.1 million, respectively.

Debt

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

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

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

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

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

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

In connection with the New Credit Agreements, the Company incurred debt issuance costs from the lender and third-parties of $10.3 million.

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

As of November 28, 2021, $42.0 million was outstanding on the Refinance Revolver, at an interest rate of 3.00%. As of November 28, 2021, the Refinance Term Loan had an interest rate of 9.5%. As of November 28, 2021, the Company was in compliance with all financial covenants and had no events of default under the New Credit Agreements.

Off-Balance Sheet Arrangements and Contractual Obligations

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. There have been no material changes to our long-term contractual obligations as reported in our most recent Annual Report filed on Form 10-K for the fiscal year ended May 30, 2021. See Note 6 – Debt for further information on the Company's loans.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

There have been no material changes to the information provided under Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" which is included and described in the Form 10-K for the fiscal year ended May 30, 2021 filed with the SEC on July 29, 2021.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

As of November 28, 2021, our management evaluated, with participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that the disclosure controls and procedures are effective in ensuring that information required to be disclosed in reports filed under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified by the SEC, 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.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the Six months ended November 28, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, the Company is involved in various legal proceedings and claims. For further discussion, see the disclosures contained in Note 1 - Organization, Basis of Presentation, and Summary of Significant Accounting Policies - Legal Contingencies, which are incorporated herein by reference.

Item 1A. Risk Factors

You should carefully consider the risks described in Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended May 30, 2021, as supplemented by our Quarterly Report on Form 10-Q for the fiscal period ended November 28, 2021, as our business, financial condition and results of operations could be adversely affected by any of the risks and uncertainties described therein and herein. There have been no material changes to our risk factors as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended May 30, 2021, as supplemented by our Quarterly Report on Form 10-Q for the fiscal period ended November 28, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Title
2.1*	Asset Purchase Agreement, dated December 13, 2021, by and among Landec Corporation, Curation Foods, Inc. and Taylor Farms Retail, Inc.
3.1	Certificate of Incorporation of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on November 7, 2008.
3.2	Amended and Restated By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on October 16, 2012.
3.3	Amendment No. 1 to By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 7, 2019.
3.4	Amendment No. 2 to By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 24, 2019.
3.5	Amendment No. 3 to By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on October 19, 2020.
10.1	Separation Agreement and General Release, dated October 13, 2021, by and between the Company and Timothy Burgess, incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 15, 2021.
31.1+	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer 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
*	The schedules and other attachments to this exhibit have been omitted. The Company agrees to furnish a copy of any omitted schedules or attachments to the SEC upon request.
**	Information is furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.
+	Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LANDEC CORPORATION

By: /s/ John D. Morberg

John D. Morberg
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: January 7, 2022

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Albert D. Bolles, Ph.D., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Landec Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 7, 2022

/s/ Albert D. Bolles, Ph.D.
Albert D. Bolles, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, John D. Morberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Landec Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 7, 2022

/s/ John D. Morberg
John D. Morberg
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Landec Corporation (the “Company”) on Form 10-Q for the period ended November 28, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Albert D. Bolles, Ph.D., Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 7, 2022

/s/ Albert D. Bolles, Ph.D.
Albert D. Bolles, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

* The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Landec Corporation (the “Company”) on Form 10-Q for the period ended November 28, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John D. Morberg, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 7, 2022

/s/ John D. Morberg
John D. Morberg
Chief Financial Officer
(Principal Financial Officer)

* The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.