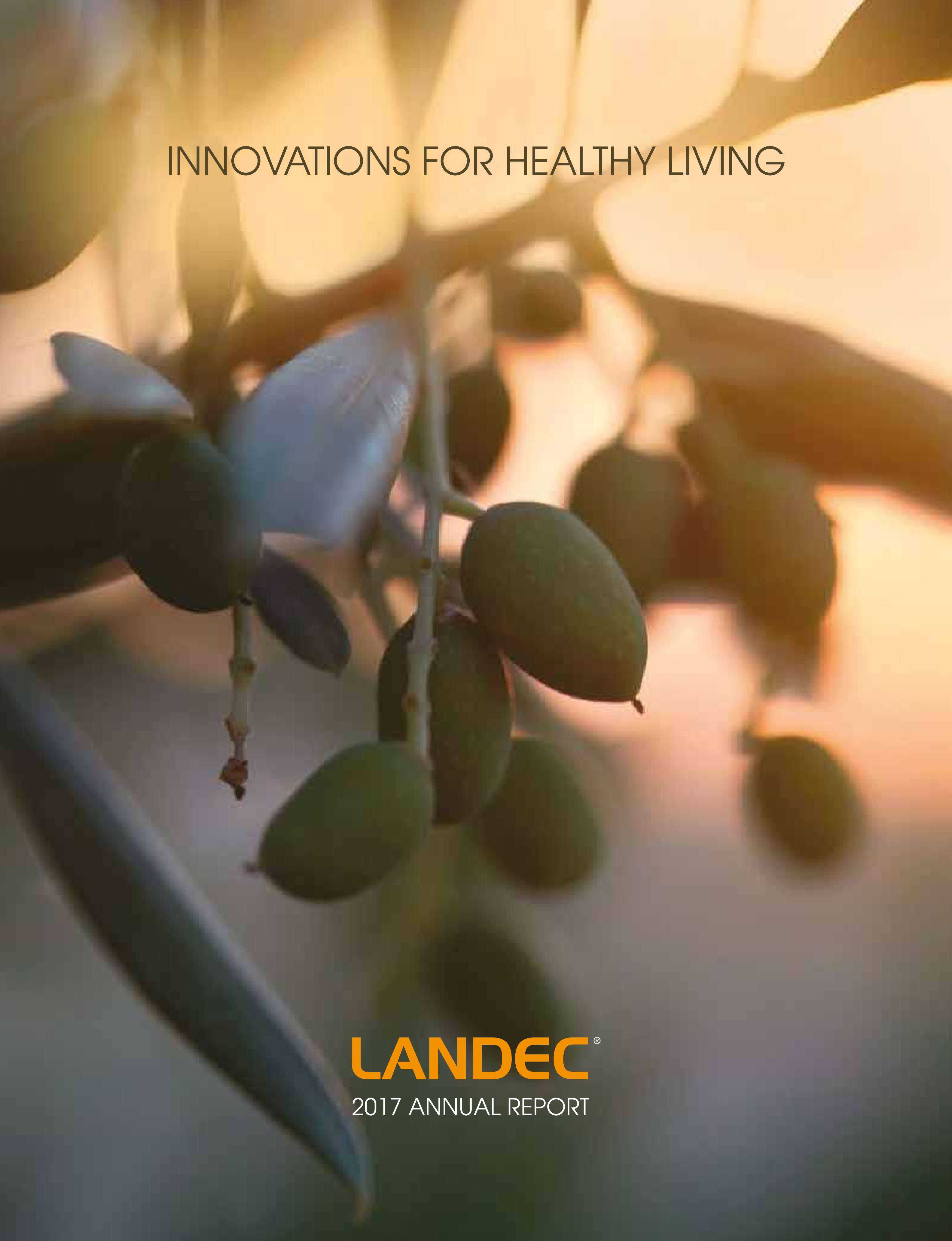


INNOVATIONS FOR HEALTHY LIVING

LANDEC®

2017 ANNUAL REPORT

Landec's mission is to create innovative products that support people's individual health & wellness goals.

Landec's businesses are dedicated to innovating products that enable people to live healthier lives. Lifecore Biomedical, Inc., Landec's biomaterials business, is a leading supplier of premium grade Hyaluronic Acid (HA) and a fully integrated Contract Development and Manufacturing Organization (CDMO) that works with leading companies to bring FDA-approved drugs and medical devices to market that enhance people's lives. Landec's natural food business is comprised of Apio, Inc., a leading producer of packaged, fresh vegetable products through its Eat Smart® brand that makes it convenient and delicious to eat vegetables every day and recently acquired, O Olive Oil, Inc., an organic and natural producer and marketer of premium olive oils and wine vinegars under the O brand.

Landec continues to invest in innovation to strategically shift its business toward higher margin products. We are focused on investing in our three primary growth platforms: Eat Smart salads, new natural food products and Lifecore®. Over the last five years, we have doubled our processing capacity at Apio™, expanded into new natural food product segments and tripled our aseptic filling capacity at Lifecore, while significantly increasing our investments in people and new product development initiatives in each of our businesses. Looking to FY18, we plan to invest an additional $44mm to $48mm in capital. Approximately $12mm to $15mm of these investments are annual maintenance and quality improvement expenditures with the remaining capital investments to support future growth opportunities. In addition, we plan to increase product development expenditures by approximately 17% to advance new product introductions.

Lifecore Biomedical

Lifecore is a fully integrated CDMO offering expertise and capabilities in fermentation, specialty formulation, aseptic filling, and final packaging for FDA-regulated medical devices and drug products that enhance people's lives. Lifecore's unique processing capabilities and dedication to creating a culture of "Pharma Elegance" have made Lifecore a preferred HA and viscoelastic supplier to global ophthalmic market leaders, as well as to companies developing products utilizing other biomaterials that are difficult to process. Lifecore is a leader in the premium segment of the HA market which requires medical grade, non-animal sourced HA within a highly regulated FDA environment, as well as expertise in handling highly viscous materials. Lifecore's commitment to working closely with its partners through the entire product life cycle, from early stage development, to regulatory approvals, and commercial production and distribution, has enabled it to grow its CDMO market share and expand into other non-HA biomaterials that require expertise in formulating, filling, and packaging.

LIFECORE BIOMEDICAL

Apio

Apio is a leader in branded, packaged fresh vegetables in North America. Apio utilizes Landec's proprietary BreatheWay® packaging technology to naturally extend the shelf life of fresh produce. Apio combines this technology with the capabilities of a large national produce supplier to deliver healthy and fresh vegetable products throughout North America under its Eat Smart brand. Apio distributes products to consumers through club and retail grocery stores as well as foodservice operators. Apio partners directly with growers to harvest the freshest produce throughout the year. This produce is transported to one of Apio's several facilities where the vegetables are trimmed, washed, sorted, and blended with other natural ingredients to be packaged into bag, tray and salad formats that make it easy and delicious for consumers to eat healthy.

Apio, INC.

O Olive

O Olive®, founded in 1995, is the premier producer of California specialty olive oils and wine vinegars. O Olive is the first company in North America to crush organic citrus with California olives to produce a signature line of specialty olive oils including a core offering of eight olive oils and twelve wine vinegars, each with a 100% clean label. Long favored by both home cooks and professional chefs, O Olive has been honored with 17 SOFI awards by the Specialty Food Association, more than any other oil and vinegar company in the world. O Olive products are sold in natural food, conventional grocery and mass retail stores, primarily in the United States and Canada.

O OLIVE OIL

LANDEC FY17 FINANCIAL OVERVIEW

Landec Income Statement ($ in Millions)	FY17	FY16	YOY
Revenues $	$532.3	$541.1	-2%
GP $	$83.2	$71.0	+17%
GM%	15.6%	13.1%	+250 bps
EBITDA $*	$26.1	$23.1	+13%
EBITDA %*	4.9%	4.3%	+60 bps

Landec Balance Sheet ($ in Millions)	FY17	FY16	YOY
ROIC*	6.4%	6.6%	-20 bps
Debt/EBITDA	2.1	2.6	-50 bps
Cash Flows From Operations	$29.3	$21.9	+34%

** Excludes Windset dividends and FMV change*

With a focus on innovation and profit improvement, Landec made the strategic decision in late FY15 to begin right -sizing the Apio food business by discontinuing certain low-margin products, leading to a slight decline in Landec revenues. However, by implementing cost saving initiatives at Apio and investing in (1) Lifecore's transition to a fully integrated CDMO, (2) Apio's Eat Smart salad business and (3) the expansion into natural food products, Landec's gross margin increased by 350 basis points over the last two years from 12.1% in FY15 to 15.6% in FY17.

Landec consolidated revenues in FY17 decreased 2% to $532.3mm compared to $541.1mm in FY16. The decrease in revenues was due to a $15.8mm or 4% decrease in revenues in Apio's packaged fresh vegetables business and a $1.7mm or 3% decrease in Apio's export business, both primarily due to our decision to discontinue certain low-margin business. These decreases were partially offset by an $8.9mm or 18% increase in revenues at Lifecore.

Landec consolidated net income in FY17 was $10.6mm, or $0.38 per share, compared to a net loss of $11.6mm, or $0.43 per share, in FY16. The increase in net income was due to: (1) a $34mm ($21.5mm net of tax) write down of the GreenLine trademark in the third quarter of last year, (2) a $10.7mm or 26% increase in gross profit in Apio's packaged fresh vegetables business as a result of a 290 basis point increase in gross margin, and (3) a $2.7mm or 11% increase in gross profit at Lifecore. These increases in net income were partially offset by (1) a $10.9mm or 19% increase in operating expenses, which included $4.7mm of expenses from legal fees and a legal settlement charge resulting from a labor-related class action lawsuit at Apio, (2) a $0.9mm decrease in gross profit at Corporate due to the completion of two licensing agreements earlier in FY17, and (3) a non-recurring charge of $1.2mm related to the refinancing of Apio's debt during FY17.

Our balance sheet and cash generation remain strong. We ended FY17 with $5.4mm in cash. Debt at FYE17 was $54.0mm with a debt-to-equity ratio of 24%, compared to $61.1mm and 29%, respectively, at FYE16. Cash flows from operations for FY17 were $29.3mm, up from $21.9mm last year. Capital expenditures for FY17 were $22.6mm, down from $40.9mm in FY16. The net effect resulted in free cash flow of $6.7mm for FY17 compared to a negative free cash flow of $19.0mm last year, an improvement of $25.7mm.

In FY18, we plan to complete the right-sizing efforts at Apio while investing in capital and capabilities to drive low double-digit revenue growth on average over the next five years in our Lifecore, Eat Smart salad and natural food product businesses.

LANDEC®

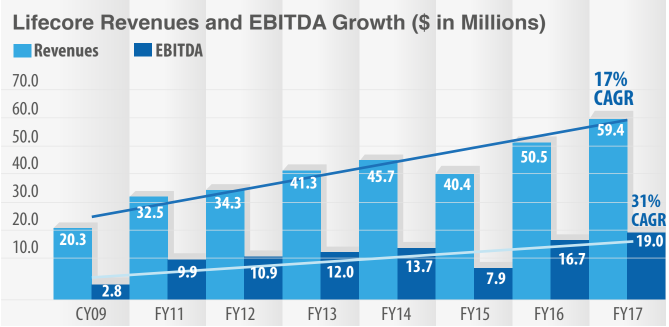
Lifecore had a stellar year in FY17, growing annual revenues by 18% and EBITDA by 13%. Since Landec's acquisition of Lifecore in April 2010, Lifecore has delivered a compounded annual revenue growth rate of 17% and a compounded annual EBITDA growth rate of 31%.

LIFECORE FY17 RESULTS

Revenues	$59.4mm
GM%	45.0%
EBITDA	$19.0mm
Cash Flows from Operations	$16.4mm

Lifecore had another remarkable year in FY17, exceeding performance expectations with annual revenues of $59.4mm, an 18% increase compared to FY16, and operating income of $15.9mm, an increase of 13% compared to last year. The transition from being solely a supplier of premium HA to also being a fully integrated CDMO is well underway. The CDMO portion of Lifecore's business is comprised of product development services, aseptic formulation and filling services, and final packaging services for products delivered in either syringes or vials.

Lifecore differentiates itself from other CDMOs by providing specialized development and manufacturing services for FDA-approved products that are difficult to formulate, sterilize, fill, and package. These services address the entire product life cycle, from early stage development activity through commercial production and distribution. In FY17, Lifecore commercialized its first non-HA drug product and further increased its product development pipeline of HA and non-HA products to fuel future growth.



Lifecore continues to pursue its CDMO growth strategy through the implementation of a new filling line to further enhance its capacity. Lifecore is in the process of constructing new clean rooms to house the new formulation and filling line equipment, which we estimate will be installed and operational by the end of FY18. This new line will expand Lifecore's overall filling capacity by 45% and provide versatility that can be used to fill either vials or syringes. It is specifically designed to align Lifecore's capacity and capabilities with the market expectations of its partners.

LIFECORE BIOMEDICAL

APIO FY17 RESULTS

Revenues	$470.5mm
GM%	11.7%
EBITDA	$21.7mm
Cash Flows from Operations	$15.6mm

Apio has been focused on new product innovation to drive market differentiation and to transform from a commodity business to a branded, packaged, fresh vegetables business. Over the last several years, Apio has expanded its product segments from the traditional lower margin core vegetable bags and trays to the adjacent high growth, more profitable salad segment while "right-sizing" specific segments of its bag, tray and export businesses that were exhibiting commodity-like pricing trends. As a result of this strategic transformation, Apio's packaged fresh vegetable business, even with revenues down 4% in FY17, increased gross margin by 290 basis points, resulting in a gross profit increase of 26% and a 17% increase in EBITDA, a considerable improvement during FY17 compared to last year.

For well over a year, we have been emphasizing our strategy to grow Apio's Eat Smart brand through continued product innovation and expanded distribution in major U.S. retailers. During FY17, Apio announced the Eat Smart 100% Clean Label initiative. For Eat Smart, a "clean label" means that the product contains no high fructose corn syrup, no preservatives and no artificial flavors, colors or ingredients. Apio's 100% Clean Label initiative is focused on reformulating salad dressings, toppings and dips that it sources from other suppliers and includes with its vegetable products to ensure they meet our new 100% Clean Label initiative specifications. The clean food movement is accelerating, sparked by health-conscious consumers who prefer to know exactly what is and isn't in the food they are eating. Apio is at the vanguard of this movement. Eat Smart is the first brand in the non-organic salad kit and tray category to commit to clean ingredients and labeling, with plans for all salad products to contain a 100% Clean Label by the end of calendar year 2017 and all other products by the end of calendar year 2018.

During the fourth quarter of FY17, Apio entered the single-serve salad kit segment with the launch of its innovative Eat Smart "Salad Shake-Ups!™", increasing the total addressable market for our Eat Smart products in the North American value-added vegetable space by approximately $600 million to $3.9 billion. This product line is designed to attract new consumers to the single-serve category that currently has a household penetration of only 11%. Eat Smart "Salad Shake Ups!" feature unique flavors, a 100% clean label, nutrient-rich vegetables and plant proteins in a patented bowl design that makes it easy to enjoy with less mess.

Apio made significant gains in U.S. distribution of its Eat Smart salads during FY17. According to Nielsen data for the 52 weeks ending May 27, 2017, the All Commodity Volume (ACV) for Eat Smart salad kits increased 10 percentage points from 14% to 24%. Management expects Apio's ACV to increase further over the coming months as its salads start to fill the shelves at new customers. Apio has recently added considerable new distribution of its salad products in retail, with key U.S. customers including Walmart, Kroger, Market Fresh and Sam's Club. In an ongoing effort to make Eat Smart products available to all consumers, Apio is aligning itself with strong partners across all channels, including the growing online and direct-to-consumer channels.

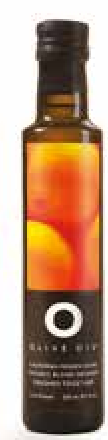
Apio FY17 salad revenues were approximately flat versus FY16. This was due to a decrease in sales with Costco, as they made a strategic decision to diversify their supply of Sweet Kale Salad with other vendors. However, the rapid growth of Eat Smart salads in the retail segment made up for that loss. Apio's distribution gains in salad kits during FY17 were well above the category growth. For the twelve months ended May 27, 2017, the U.S. salad kit category growth in consumer dollars, excluding Costco, was 18%, while the comparable growth for Eat Smart salad kits during the same period was 51%.

O Olive Oil and Vinegar Acquisition

On March 1, 2017, Landec acquired O Olive Oil, Inc. for $2.5 million in cash plus an opportunity for the seller to earn an additional $7.5 million over the next three years based on O Olive achieving specific EBITDA targets. O Olive is based in Petaluma, California, and is the premier producer of California specialty olive oils and wine vinegars. Its O branded products are sold in natural food, conventional grocery and mass retail stores, primarily in the United States and Canada.

O Olive is the first company in North America to crush organic citrus with California olives to produce a signature line of specialty olive oils. Since its formation in 1995, O Olive's mission has been to create the finest quality specialty oil and vinegar products available, using only natural ingredients with no preservatives or chemicals, and with easily traceable, real food on the label. Under its O brand, O Olive has been honored with 17 SOFI awards by the Specialty Food Association, more than any other oil and vinegar company in the world.

The oil and vinegar markets are currently experiencing a dramatic shift in consumer behavior, from conventional products to natural and organic oils and vinegars. O Olive is uniquely positioned to take advantage of this transition. Retailers across North America are making clean label and organic products a priority. O Olive sells a variety of products, including certified organic options, that are all-natural, high quality, great tasting and with easily traceable ingredients for retailers to offer their consumers. By supporting O Olive products with growth capital and the strength of Apio's sales, customer service, procurement and logistics capabilities, O Olive can achieve its true potential and offer consumers a healthy and delicious option for everyday eating.



The market size for oils and vinegars in U.S. multi-channel outlets is approximately $4.3 billion. O Olive products compete in the specialty product segments of oils and vinegars that make up approximately $1.9 billion of the total $4.3 billion market. Within the specialty oil segment, natural products now comprise 43% of the market with a current growth rate of 24%. This compares to conventional products that make up 57% but are declining at a rate of 2% per year. Within the specialty vinegar category, natural products are 60% of the market and are growing at 54% while conventional vinegar products are growing at only 13%.

Landec's initial efforts to support O Olive entails developing a go-to-market product and selling strategy as well as providing capital to enable growth and expand distribution of O Olive premium products. With Landec's financial support, O Olive will be able to secure long-term organic olive oil supply, build inventories to maintain service for large customers, complete several new product development opportunities and bring vinegar production in-house for increased profitability.

For the twelve months ended May 28, 2017, O Olive realized net revenues of $3.4mm with a $500K EBITDA loss, before pre-close acquisition related expenses. O Olive's gross margin for the same period was approximately 25%. Management expects margins to increase substantially over the next few years based on increased volumes and operating synergies with Apio.

The acquisition of O Olive is Landec's first step in its stated strategy of moving into natural product segments beyond produce that offer consumers convenient, delicious, and healthy options for every day eating. Landec is committed to supporting O Olive in achieving its full growth potential and enabling them to deliver innovative, high quality products while exceeding customer expectations through excellent service. O Olive products are a clear adjacency to Apio's salad kit products that include dressings. The strong product innovation capabilities of the O Olive team coupled with Apio's supply chain, logistics and customer reach, provide the road map for accelerated profitable growth in O Olive's business for years to come.

O L I V E O I L

SHAREHOLDERS LETTER

At Landec, our businesses are positioned to be innovative leaders in the markets they serve and are entering and disrupting adjacent market segments to ensure long-term, sustainable and profitable growth.

Dear Shareholders,

Landec is committed to innovating new products that help people enjoy happier and fuller lives through medical and nutritional solutions. For the last several years, we have been focused on transforming both Lifecore and Apio to more profitable business models that can deliver sustainable, long-term growth.

In FY17, Lifecore had another exceptional year with revenues growing 18%, following on the heels of 25% revenue growth in FY16. To achieve these results, Lifecore has dramatically evolved its business model. Originally focused solely on supplying HA to the premium HA market with its FDA-approved products, Lifecore has built upon a foundation of unique capabilities to expand into new markets. Lifecore is now a fully integrated CDMO, expanding its reach beyond HA to adjacent markets that require formulating, processing and filling difficult-to-handle biomaterials. In FY17, Lifecore commercialized its first non-HA product and significantly grew its product development pipeline to fuel future commercial opportunities.

The transformation in Landec's food business consists of two distinct phases. The first phase began in FY15 and focused on transitioning Apio from a commodity produce company to a true innovation company. During FY17, we advanced this effort with the re-organization of our retail salesforce, the addition of a new VP of Innovation and R&D, further right-sizing of our lower margin historical core vegetable products and the launch of our innovative single-serve salads. We plan to complete the right-sizing of our historical lower margin core vegetable business in FY18 while adding new capabilities and introducing innovative products to the market to deliver on-going revenue and profit growth.

In FY17, we also took the initial steps in the second phase of transformation of our food business. The second phase involves expanding our product line from fresh, packaged vegetables to include other natural food products outside of produce that meet consumer trends, have higher margins and display less volatile raw material sourcing characteristics. During FY17, we launched the Eat Smart 100% Clean Label initiative to ensure all of our Eat Smart products will be made from all-natural ingredients. We also added the Landec New Ventures Group to focus on our natural food product strategy and to lead new product development and acquisition initiatives. The acquisition of O Olive, a supplier of premium and natural olive oils and wine vinegars, was one of the initial projects of this group. We intend to leverage synergies with Apio to position O Olive as the innovative leader with all-natural, California-grown ingredients that are fully traceable. During FY18, we will accelerate our efforts in the second phase of Apio's transformation.

Landec continues to move forward in other parts of its business. We extended our agreement with Windset Farms, a leading North American hydroponic grower of fruit and vegetables, for five more years. During the first six years of our investment, Landec realized an average annual return of approximately 20%. Landec also completed a $150mm debt facility that will deliver significant interest payment savings while providing the capital and flexibility to enable our future growth initiatives.

In FY18, we are projecting to spend capital of $44mm to $48mm. Over $30mm of this capital is slated for projects to fuel future growth. Through a disciplined ROIC framework, this capital is deployed only if original investment hurdles are met and project milestones are successfully achieved. This capital is being used to achieve our goal of low double-digit revenue growth on average over the next five years within our three primary growth drivers: (1) our Lifecore biomaterials business, (2) our Eat Smart salad business, and (3) healthy natural food products outside of produce.

Landec has a bright future ahead. We will continue to implement our transformational plan to deliver value to our consumers, customers and stockholders in the years to come.

Molly Hemmeter

Molly Hemmeter, *Landec President & CEO*

2017 PROXY STATEMENT AND 10-K

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON OCTOBER 19, 2017

TO THE STOCKHOLDERS OF LANDEC CORPORATION:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Landec Corporation (the "***Company***") will be held on Thursday, October 19, 2017, at 12:00 p.m. local time, at Lifecore Biomedical, 3515 Lyman Blvd, Chaska, MN 55318 for the following purposes:

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

2. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending May 27, 2018;

3. To approve an amendment to the 2013 Stock Incentive Plan that increases the number of shares of Common Stock available for issuance by 1,000,000 shares.

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

5. To provide an advisory vote to determine whether a non-binding advisory vote on executive compensation should occur every one, two or three years, and

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

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

Only stockholders of record at the close of business on August 21, 2017, are entitled to notice of and to vote at the meeting and any adjournment(s) thereof.

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

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Geoffrey P. Leonard

GEOFFREY P. LEONARD
Secretary

Menlo Park, California
August 23, 2017

IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE IN THE ENCLOSED POSTAGE-PREPAID ENVELOPE OR VOTE YOUR SHARES BY TELEPHONE OR VIA THE INTERNET. IF A QUORUM IS NOT REACHED, THE COMPANY MAY HAVE THE ADDED EXPENSE OF RE-ISSUING THESE PROXY MATERIALS. IF YOU ATTEND THE MEETING AND SO DESIRE, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON. THANK YOU FOR ACTING PROMPTLY.

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LANDEC

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON OCTOBER 19, 2017

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed proxy is solicited on behalf of the Board of Directors of Landec Corporation, a Delaware corporation ("***Landec***" or the "***Company***"), for use at the annual meeting of stockholders (the "***Annual Meeting***") to be held on Thursday, October 19, 2017, at 12:00 p.m., local time, or at any postponement or adjournment thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at Lifecore Biomedical, 3515 Lyman Blvd, Chaska, MN 55318. The telephone number at that location is (952) 368-4300.

The Company's principal executive offices are located at 3603 Haven Avenue, Menlo Park, California 94025. The Company's telephone number at that location is (650) 306-1650.

Solicitation

These proxy solicitation materials are to be mailed on or about September 21, 2017 to all stockholders entitled to vote at the meeting. The costs of soliciting these proxies will be borne by the Company. These costs will include the expenses of preparing and mailing proxy materials for the Annual Meeting and the reimbursement of brokerage firms and others for their expenses incurred in forwarding solicitation material regarding the Annual Meeting to beneficial owners of the Company's common stock, par value $0.001 per share (the "***Common Stock***"). The Company may conduct further solicitation personally, telephonically or by facsimile through its officers, directors and regular employees, none of whom will receive additional compensation for assisting with the solicitation.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on October 19, 2017.

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

You may also find a copy of this Proxy Statement and our Annual Report (with exhibits) on the SEC website at *http://www.sec.gov.* **We will, upon written request and without charge, send you additional copies of our Annual Report (without exhibits) and this Proxy Statement. To request additional copies, please send your request by mail to Gregory S. Skinner, Chief Financial Officer, Landec Corporation, 3603 Haven Avenue, Menlo Park, CA 94025 (telephone number: (650) 306-1650). Exhibits to the Annual Report may be obtained upon written request to Mr. Skinner and payment of the Company's reasonable expenses in furnishing such exhibits.**

Proxy Statement

Voting Procedure

You may vote by mail.

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

You may vote in person at the Annual Meeting.

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

You may vote by telephone or electronically.

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

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

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

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

Voting

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

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

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

Proposal No. 1 – Election of directors: Each director is elected by a majority of the votes cast with respect to such director. Any votes "withheld" for a particular director are effectively votes against that director. Shares present and not voted, whether by broker non-vote, abstention or otherwise, will have no effect on this vote.

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

Proposal No. 3 – Approval of amendment to increase the number of shares in the 2013 Stock Incentive Plan. This proposal must be approved by shares representing a majority of the shares present and entitled to vote on the proposal. Shares present and not voted, whether by broker non-vote, abstention or otherwise, will have the same effect as a vote against this proposal.

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

Proposal No. 5 — Advisory (non-binding) vote on frequency of votes on executive compensation: This advisory vote provides a choice among three frequency periods for future advisory votes on executive compensation (so-called, "say-on-pay" votes). The frequency period that receives the most votes (every one, two or three years) will be deemed to be the recommendation of the stockholders. As a result, any shares that are present and not voted, whether by broker non-vote, abstention or otherwise, will have no effect on the outcome of this advisory vote.

Any proxy which is returned using the form of proxy enclosed and which is not marked as to a particular item will be voted FOR the election of the director nominees proposed by the Board of Directors; FOR the ratification of the appointment of Ernst & Young LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending May 27, 2018; FOR the approval of the amendment to increase the number of shares in the Company's 2013 Stock Incentive Plan, FOR the advisory vote on executive compensation; FOR holding the advisory vote on executive compensation every year; and as the proxy holders deem advisable on other matters that may come before the meeting or any adjournment(s) thereof, as the case may be, with respect to the item not marked. Broker non-votes will not be considered as voting with respect to these matters.

Record Date and Share Ownership

Only stockholders of record at the close of business on August 21, 2017, are entitled to notice of, and to vote at, the Annual Meeting. As of August 21, 2017, 27,506,712 shares of the Company's Common Stock were issued and outstanding.

Deadline for Receipt of Stockholder Proposals for the Company's Annual Meeting of Stockholders in 2018

If any stockholder desires to present a stockholder proposal at the Company's 2018 Annual Meeting of Stockholders, such proposal must be received by the Secretary of the Company no later than May 15, 2018, in order that they may be considered for inclusion in the proxy statement and form of proxy relating to that meeting.

Householding of Proxy Materials

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

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Nominees

The Company's Bylaws currently provide for no fewer than six (6) and no more than ten (10) directors, and the Company's Certificate of Incorporation provides for the classification of the Board of Directors into two classes serving staggered terms. Each Class 1 and Class 2 director is elected for a two-year term, with the Class 2 directors elected in odd numbered years (*e.g*., 2017) and the Class 1 directors elected in even numbered years (*e.g*., 2018). Accordingly, at the Annual Meeting, five (5) Class 2 directors will be elected.

The Board of Directors has nominated the persons named below to serve as Class 2 directors until the 2019 Annual Meeting, at which their successors will be elected and qualified. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company's five (5) nominees named below. In the event that any nominee of the Company is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the present Board of Directors to fill the vacancy. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner as will assure the election of as many of the nominees listed below as possible, and, in such event, the specific nominees to be voted for will be determined by the proxy holders. Assuming a quorum is present, the five (5) nominees for director receiving at least a majority of votes cast at the Annual Meeting will be elected.

Class 2 Directors

Name of Director	Age	Principal Occupation	Director Since
Albert D. Bolles, Ph.D	60	Retired Executive Vice President and Chief Technical and Operations Officer, ConAgra Foods, Inc.	2014
Deborah Carosella................	60	Retired Chief Executive Officer, Madhava Natural Sweetners	2017
Tonia Pankopf.......................	49	Managing Partner, Pareto Advisors, LLC	2012
Robert Tobin	79	Retired Chief Executive Officer, Ahold, USA	2004
Molly A. Hemmeter	50	President and Chief Executive Officer of the Company	2015

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

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

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

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

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

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

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

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

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

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

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

Nominees for Class 1 Directors

Name of Director	Age	Principal Occupation	Director Since
Gary T. Steele..	68	Retired Chief Executive Officer of the Company	1991
Frederick Frank	85	Chairman, Evolution Life Sciences Partners	1999
Steven Goldby.......................................	77	Partner, Venrock and Chairman of the Board of Directors of the Company	2008
Catherine A. Sohn, Pharma.D.	64	Retired Senior Executive, Glaxo Smith Kline plc	2012

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

Gary T. Steele served as President and Chief Executive Officer of the Company until his retirement in October 2015. Mr. Steele has been a director since September 1991 and was Chairman of the Board of Directors from January 1996 until his retirement. Mr. Steele has over 30 years of experience in the biotechnology, instrumentation and material science fields. From 1985 to 1991, Mr. Steele was President and Chief Executive Officer of Molecular Devices Corporation, a bioanalytical instrumentation company. From 1981 to 1985, Mr. Steele was Vice President, Product Development and Business Development at Genentech, Inc., a biomedical company focusing on pharmaceutical drug development. Mr. Steele has also worked with McKinsey & Company and Shell Oil Company. Mr. Steele received a B.S. from Georgia Institute of Technology and an M.B.A. from Stanford University.

Mr. Steele's significant knowledge and understanding of the Company and its businesses together with his extensive experience in building and growing technology companies provide the Board of Directors with significant insight into the Company's businesses and operations.

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

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

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

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

Catherine A. Sohn, Pharm. D. has served as a member of our board of directors since November 2012. Dr. Sohn is the founder of Sohn Health Strategies, where since 2010 she has consulted for pharmaceutical, biotechnology, medical device and consumer healthcare companies in the areas of business strategy, business development and strategic product development. She has been a member of the board of director of Jazz Pharmaceuticals plc, an international biopharmaceutical company, since July 2012. From 1982 to 2010, she was with GlaxoSmithKline plc, an international pharmaceutical company, where she served most recently as Senior Vice President, Worldwide Business Development and Strategic Alliances in the $8 billion GSK Consumer Healthcare division. Previously she was Vice President, Worldwide Strategic Product Development at SmithKline Beecham Pharmaceuticals plc. Before that, she held a series of positions in U.S. Product Marketing, Pharmaceutical Business Development and Medical Affairs, at SmithKline Beecham and its predecessor company, SmithKline & French. Dr. Sohn currently holds the position of Adjunct Professor at the University of California, San Francisco. She received a Pharm.D. from the University of California, San Francisco. She also received a Certificate of Professional Development from the Wharton School at the University of Pennsylvania. Dr. Sohn was named Woman of the Year by the Healthcare Businesswomen's Association in 2003 and the UCSF Distinguished Alumnus in 2000. She is a Certified Licensing Professional and a National Association of Corporate Directors (NACD) Board Leadership Fellow.

With over 30 years of experience in health-related sectors, Dr. Sohn provides the Board of Directors with significant expertise in business development, strategic marketing and new product development within healthcare, which has a direct benefit to Landec's wholly-owned biomedical subsidiary, Lifecore Biomedical, Inc. ("***Lifecore***").

Board of Directors Meetings and Committees

The Board of Directors held a total of five meetings during the fiscal year ended May 28, 2017. Each director attended at least 75% of all Board and applicable committee meetings during fiscal year 2017. The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, each of which operates under a written charter approved by the Board of Directors. The charter for each of the committees is available on the Company's website (http://landec.com). The Board of Directors also has a Food Innovation Committee. It is our policy to encourage the members of the Board of Directors to attend the Company's annual meeting of stockholders. All directors on the Board of Directors at the time attended our 2016 Annual Meeting of Stockholders.

The Audit Committee currently consists of Ms. Pankopf (Chairperson), Mr. Goldby and Mr. Tobin. In the determination of the Board of Directors, each of Ms. Pankopf, Mr. Goldby, and Mr. Tobin meets the independence requirements of the Securities and Exchange Commission (the "***SEC***") and The Nasdaq Stock Market, LLC ("***NASDAQ***"). The Audit Committee assists the Board of Directors in its oversight of Company affairs relating to the quality and integrity of the Company's financial statements, the qualifications and independence of the Company's independent registered public accounting firm, the performance of the Company's internal audit function and independent registered public accounting firm, and the Company's compliance with legal and regulatory requirements. The Audit Committee is responsible for appointing, compensating, retaining and overseeing the Company's independent registered public accounting firm, approving the services performed by the independent registered public accounting firm and reviewing and evaluating the Company's accounting principles and its system of internal accounting controls. Rules adopted by the SEC require us to disclose whether the Audit Committee includes at least one member who is an "audit committee financial expert," as that phrase is defined in SEC rules and regulations. The Board of Directors has determined that Ms. Pankopf and Mr. Goldby are "audit committee financial experts" within the meaning of applicable SEC rules. The Audit Committee held four meetings during fiscal year 2017. Please see the section entitled "Audit Committee Report" for further matters related to the Audit Committee. The Board has adopted a written charter for the Audit Committee. The Audit Committee reviews the charter annually for changes, as appropriate.

The Compensation Committee currently consists of Dr. Sohn (Chairperson), Mr. Frank and Dr. Bolles. In the determination of the Board of Directors, each of Dr. Sohn, Mr. Frank, and Dr. Bolles meets the current independence requirements of the SEC and NASDAQ. The function of the Compensation Committee is to review and set the compensation of the Company's Chief Executive Officer and certain of the Company's most highly compensated officers, including salary, bonuses and other cash incentive awards, and other forms of compensation, to administer the Company's stock plans and approve stock equity awards, and to oversee the career development of senior management. The Compensation Committee held five meetings during fiscal year 2017.

The Nominating and Corporate Governance Committee currently consists of Mr. Frank (Chairperson), Mr. Tobin, Ms. Pankopf and Dr. Bolles, each of whom, in the determination of the Board of Directors, meets the current independence requirements of the SEC and NASDAQ. The functions of the Nominating and Corporate Governance Committee are to recommend qualified candidates for election as officers and directors of the Company and oversee the Company's corporate governance policies. The Nominating and Corporate Governance Committee held two meetings during fiscal year 2017.

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

The Food Innovation Committee currently consists of Dr. Bolles (Chairperson) and Ms. Carosella, each of whom, in the determination of the Board of Directors, meets the current independence requirements of the SEC and NASDAQ. The function of the Food Innovation Committee is to provide advice and make recommendations to the Board and to management with regard to food management, including new agricultural techniques, plant optimization strategies and new product development insights. The function of the Food Innovation Committee further entails making possible changes to current practices within the Company's food business and making recommendations concerning new areas for the Company to pursue. As Chairman of the Food Innovation Committee, Dr. Bolles spent approximately eight days during fiscal year 2017 on site at Apio or in teleconferences with the President of Apio and/or his executive team. Since joining the Board of Directors in March 2017, Ms. Carosella has worked closely with the CEO and senior marketing executives on the innovation and strategic marketing strategies for Apio for the coming year.

Corporate Governance

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

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

- A majority of the members of the Board of Directors are independent;

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

- The independent members of the Board of Directors meet at each board meeting, and at least twice per year, in executive sessions without the presence of management. The Board of Directors will designate a lead independent director or a non-executive Chairman of the Board who, among other duties, is responsible for presiding over executive sessions of the independent directors;

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

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

Following a review of all relevant relationships and transactions between each director (including each director's family members) and the Company, the Board has determined that each member of the Board or nominee for election to the Board, other than Mr. Steele and Ms. Hemmeter, is an independent director under applicable NASDAQ listing standards. Mr. Steele and Ms. Hemmeter do not meet the independence standards because Mr. Steele was an employee of the Company within the past three years and Ms. Hemmeter is currently an employee of the Company.

Leadership Structure of the Board of Directors

The Board of Directors believes that it is important to retain its flexibility to allocate the responsibilities of the positions of the Chairman of the Board (the "***Chairman***") and Chief Executive Officer in the way that it believes is in the best interests of the Company. The Board of Directors does not have a formal policy with respect to whether the Chief Executive Officer should also serve as Chairman. Rather, the Board of Directors makes this decision based on its evaluation of current circumstances and the specific needs of the Company at any time it is considering either or both roles.

With the retirement of Mr. Steele as Chief Executive Officer and the election of Ms. Hemmeter as the Company's new Chief Executive Officer in October 2015, the Board of Directors determined that the roles of Chairman and Chief Executive Officer should be separated and Mr. Goldby therefore assumed the role of non-executive Chairman in October 2015. The Board of Directors believes that the appointment of Mr. Goldby as non-executive Chairman allows the Chief Executive Officer, who also possesses significant business and industry knowledge, to lead and speak on behalf of both the Company and the Board of Directors, while also providing for effective independent oversight by non-management directors through a non-executive Chairman.

At each Board of Directors meeting, the non-executive Chairman presides over an executive session of the non-management directors without the presence of management. The non-executive Chairman also may call additional meetings of the non-management directors as he deems necessary. If the Board did not have a non-executive Chairman, the lead independent director would serve as a liaison between the Chairman and the non-management directors; advise the Chairman of the informational needs of the Board of Directors and approve information sent to the Board of Directors; and would be available for consultation and communication if requested by major stockholders.

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

Stockholder Communications

Our Board of Directors welcomes communications from our stockholders. Stockholders and other interested parties may send communications to the Board of Directors, or the independent directors as a group, or to any director in particular, including the Chairman, c/o Gregory S. Skinner, Chief Financial Officer, Landec Corporation, 3603 Haven Avenue, Menlo Park, CA 94025. Any correspondence addressed to the Board of Directors or to any one of our directors in care of Mr. Skinner will be promptly forwarded to the addressee. The independent directors review and approve the stockholder communication process periodically to ensure effective communication with stockholders.

Oversight of Risk Management

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

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

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

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

Compensation of Directors

The following table sets forth compensation information for the fiscal year ended May 28, 2017, for each member of our Board of Directors who was not an executive officer during fiscal year 2017. The Chief Executive Officer, Molly A. Hemmeter, who serves on our Board of Directors, does not receive additional compensation for serving on the Board of Directors. See "Summary Compensation Table" for disclosure related to Ms. Hemmeter.

Name	Fee Earned or Paid in Cash (1)	Stock Awards (2)	Other	Total
Albert D. Bolles, Ph.D.	$ 69,167	$ —	$ —	$ 69,167
Deborah Carosella (3)	$ 8,333	$ —	$ —	$ 8,333
Frederick Frank	$ 57,500	$ —	$ —	$ 57,500
Steven Goldby	$ 75,000	$ —	$ —	$ 75,000
Tonia Pankopf	$ 65,000	$ —	$ —	$ 65,000
Catherine A. Sohn, Pharma.D.	$ 56,000	$ —	$ —	$ 56,000
Gary T. Steele	$ 40,000	$ —	$ —	$ 40,000
Robert Tobin	$ 55,000	$ —	$ —	$ 55,000
Nicholas Tompkins (3)	$ 16,667	$ —	$ —	$ 16,667

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

(2) The Company's current compensation policy provides for each member of the Board to receive an annual restricted stock unit ("***RSU***") award. These awards were granted in May 2016 for fiscal year 2017 and in June 2017 for fiscal year 2018 and therefore no RSUs were actually granted in fiscal year 2017.

(3) Ms. Carosella joined the Board on March 14, 2017. Mr. Tompkins retired from the Board at the end of his term as a Class 2 director on October 19, 2016.

At May 28, 2017, the aggregate number of shares subject to outstanding restricted stock unit awards and option awards held by the members of the Board of Directors was: Dr. Bolles – 0 shares; Ms. Carosella – 0 shares; Mr. Frank – 10,000 shares; Mr. Goldby – 10,000 shares; Ms. Pankopf – 6,667 shares; Dr. Sohn – 10,000 shares; Mr. Steele – 125,000 shares; and Mr. Tobin – 10,000 shares.

For fiscal year 2017, each non-employee director received an annual retainer of $40,000 for service as a member of our Board of Directors. In addition, each director who served on the Audit Committee and the Food Innovation Committee received an annual retainer of $10,000, with the Chairperson of the Audit Committee and Food Innovation Committee receiving an annual retainer of $20,000. Each director who served on the Compensation Committee received an annual retainer of $7,500, with the Chairperson of the Compensation Committee receiving an annual retainer of $15,000. Each director who served on the Nominating and Corporate Governance Committee received an annual retainer of $5,000, with the Chairperson of the Nominating and Corporate Governance Committee receiving an annual retainer of $10,000. The Chairperson of the Board received an annual retainer of $25,000. Consistent with the general industry trend toward fixed-value RSU awards, each non-employee director currently receives an RSU award each year with a fair value of $60,000, based on the fair market value of the Company's Common Stock on the date of the grant, vesting on the first anniversary of the date of grant.

In addition to cash fees, each director is reimbursed for reasonable out-of-pocket expenses incurred by a director to attend Board meetings, committee meetings or stockholder meetings in his or her capacity as a director.

Stock Ownership Requirement

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

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

Required Vote

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

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

Proxy Statement

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed the firm of Ernst & Young LLP as the Company's independent registered public accounting firm to audit the financial statements of the Company for the fiscal year ending May 27, 2018, and recommends that the stockholders vote for ratification of this appointment. In the event the stockholders do not ratify such appointment, the Audit Committee may reconsider its selection. Ernst & Young LLP has audited the Company's financial statements since the fiscal year ending October 31, 1994. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting with the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

Fees Paid to Independent Registered Public Accounting Firm

The following table presents the aggregate fees billed to the Company for professional services rendered by Ernst & Young LLP for the fiscal years ended May 28, 2017 and May 29, 2016.

Fee Category	Fiscal Year 2017	Fiscal Year 2016
Audit Fees	$ 1,540,000	$ 1,417,000
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total	$ 1,540,000	$ 1,417,000

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

Audit Committee Pre-Approval Policies

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

Required Vote

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

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING MAY 27, 2018.

PROPOSAL NO. 3

APPROVAL OF AMENDMENT TO THE 2013 STOCK INCENTIVE PLAN

The Landec Corporation 2013 Stock Incentive Plan (the "***Plan***") was approved by the Company's stockholders on October 10, 2013 (the "***Effective Date***"). We are requesting that stockholders (1) approve an amendment to the Plan to increase the number of shares of common stock available for issuance by 1,000,000 shares from 2,000,000 to 3,000,000, and (2) re-approve the "performance goals" set forth in the Plan and used by the Company in granting awards that are intended to qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "***Code***") (as further described below).

If stockholders do not approve this Proposal No. 3, the Plan will continue in effect in accordance with its terms as originally approved by the Company's stockholders.

Reasons for the Proposal

The Board of Directors and the Compensation Committee (the ***"Committee"***) believe there is an insufficient number of shares of the Company's common stock (individually, a "***Share***" and collectively, the "***Shares***") remaining for grants under the Plan to achieve the Company's compensation objectives over the coming years. The Board of Directors and the Committee believe that equity incentives are necessary to remain competitive in the marketplace and align the interests of our employees with our stockholders. If the amendment to increase the number of shares of common stock available for issuance by 1,000,000 shares from 2,000,000 to 3,000,000 (the "***Amendment***") is not approved by stockholders, the Company's ability to include equity compensation as part of our directors' and employees' total compensation package will be severely limited because there are only 155,239 Shares remaining available for grant under the Plan as of August 21, 2017.

As is the case with all publicly-held companies, compensation of more than $1 million paid by the Company in any year to our chief executive officer or to any of our other three most highly paid named executive officers (other than our chief financial officer) is not deductible by the Company unless it qualifies as exempt "performance-based" compensation meeting certain requirements under Section 162(m) of the Code, including the requirement that the material terms of the related performance goals be disclosed to and approved by the Company's stockholders. The stockholders must re-approve the performance goals every five years; if the Company's stockholders do not re-approve such performance goals, the Company will be denied a tax deduction with respect to such "performance-based" compensation. A description of the performance goals is set forth below under "Performance Goals" and the class of employees eligible to receive awards and the maximum amount of compensation that can be paid under the Plan is also described below.

General

The Plan contains the following compensation and corporate governance best practice provisions:

- The Plan will be administered by the Committee or the Board of Directors, as further described below, and its authorized delegates. The Committee is composed entirely of independent directors who meet Nasdaq's and the Company's standards for independence and who meet the definition of "outside directors" for purposes of the performance-based compensation exemption under Section 162(m) of Code.
- If approved by the Company's stockholders, a total of 1,155,239 Shares, or approximately 4.2% of the Company's total outstanding Shares as of August 21, 2017, will be available for issuance of awards under the Plan. The Shares available under the Plan, together with all outstanding awards granted under all of the Company's prior equity award plans as of August 21, 2017, is equal to approximately 11.8% of the Company's total outstanding Shares.
- Participation by employees, directors, non-employee directors and consultants is at the discretion of the Committee. A non-employee director may not receive awards exceeding 30,000 Shares in any fiscal year. The Plan also places limits on the number of awards that other participants may receive in any fiscal year.
- Stock options and stock appreciation rights must be granted with an exercise price of at least 100% of the fair market value of a Share on the date of grant.
- Repricing of stock options and stock appreciation rights and cash buyouts of options and stock appreciation rights that are "underwater" cannot be done without prior stockholder approval.
- The Committee may recover awards and payments under or gain in respect of awards to comply with Section 10D of the Securities Exchange Act of 1934.
- The Plan has a seven-year life span and therefore expires on October 10, 2020.

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

Share Reserve

Subject to adjustment as provided for below, the aggregate number of Shares that will be available for issuance of awards under the Plan is 3,000,000 Shares. For sake of clarity, the 3,000,000 share limit is reduced by the 1,844,761 Shares issued or issuable pursuant to any awards that were previously granted under the Plan as of August 21, 2017.

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

Under the Plan, no recipient may be awarded any of the following during any fiscal year: (i) stock options covering in excess of 500,000 Shares; (ii) stock grants and stock units covering in the aggregate in excess of 250,000 Shares; or (iii) stock appreciation rights covering in excess of 500,000 Shares. In addition, a non-employee director may not be granted awards covering in excess of 30,000 Shares in the aggregate during any fiscal year.

In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in Shares, a stock split or reverse stock split, a recapitalization, reorganization, merger, liquidation, spin-off, exchange of Shares or a similar occurrence, the Committee will, in its discretion, make appropriate adjustments to the number of Shares and kind of shares or securities issuable under the Plan (on both an aggregate and per-participant basis) and under each outstanding award. Appropriate adjustments will also be made to the exercise price of outstanding options and stock appreciation rights.

Administration

The Committee administers and interprets the Plan, provided that the Board of Directors shall administer and interpret the Plan with respect to all awards granted to non-employee directors. The Committee (or with respect to non-employee directors, the Board of Directors) shall have full authority and sole discretion to take any actions it deems necessary or advisable for the administration of the Plan, including the power and authority to: (i) select the individuals who are eligible to receive awards under the Plan; (ii) determining the type, number, vesting requirements and other features and conditions of such awards and amending such awards; (iii) correcting any defect, supplying any omission, or reconciling any inconsistency in the Plan or any award agreement; (iv) accelerating the vesting, or extending the post-termination exercise term, of awards at any time and under such terms and conditions as it deems appropriate; (v) interpreting the Plan; (vi) making all other decisions relating to the operation of the Plan; and (vii) adopting such plans or subplans as may be deemed necessary or appropriate to provide for the participation by employees of the Company and its subsidiaries and affiliates who reside outside the U.S. The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons. The Committee may delegate (i) to one or more officers of the Company the power to grant awards to the extent permitted by Section 157(c) of the Delaware General Corporation Law; and (ii) to such employees or other persons as it determines such ministerial tasks as it deems appropriate.

Eligibility and Types of Awards Under the Plan

The Plan permits the Committee to grant stock options, stock appreciation rights, stock units and stock grants. Persons eligible to participate in the Plan include employees and consultants of the Company, any parent, subsidiary or affiliate of the Company, and non-employee directors of the Company.

Options

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

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

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

Stock Grants

The Committee may grant awards of Shares under the Plan. Participants may or may not be required to pay cash consideration to the Company at the time of grant of such Shares. The number of Shares associated with each stock grant will be determined by the Committee, and each grant may be subject to time and/or performance vesting conditions established by the Committee. Shares that are subject to such conditions are "restricted," i.e. subject to forfeiture if the performance goals and/or other conditions are not satisfied. When the restricted stock award conditions are satisfied, then the participant is vested in the Shares and has complete ownership of the Shares. A stock grant agreement may provide for accelerated vesting in the event of the participant's death, disability or other events.

A holder of a stock grant under the Plan will have the same voting, dividend and other rights as the Company's other stockholders; provided, however, that the holder may be required to invest any cash dividends received in additional Shares, with any such additional Shares subject to the same conditions and restrictions as the stock grant with respect to which the dividends were paid.

Stock Units

The Committee may award stock units under the Plan. Participants are not required to pay any consideration to the Company at the time of grant of a stock unit. The number of Shares covered by each stock unit award will be determined by the Committee. A stock unit is a bookkeeping entry that represents a Share. A stock unit is similar to restricted stock in that the Committee may establish performance goals and/or other conditions that must be satisfied before the participant can receive any benefit from the stock unit. When the participant satisfies the conditions of the stock unit award, the Company will settle the vested stock units in cash or Shares or any combination of both. Settlement may occur or commence when the vesting conditions are satisfied or may be deferred, subject to applicable laws, to a later date. If stock units are settled in cash, the payment amount may be based on the average of the fair market value of a Share over a series of trading days or on other methods. A stock unit agreement may provide for accelerated vesting in the event of the participant's death, disability or other events.

A holder of stock units will have no voting rights, but may have a right to dividend equivalents. A dividend equivalent right entitles the holder to be credited with an amount equal to the amount of cash dividends paid on a Share while the stock unit is outstanding. A dividend equivalent right may be settled in cash, Shares or a combination of both, and until settlement, will remain subject to the same conditions and restrictions as the stock units to which they attach.

Stock Appreciation Rights

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

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

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

Transfer of Awards

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

Performance Goals

Awards under the Plan may be made subject to performance conditions in addition to time-based vesting conditions. Such performance conditions may be established and administered in accordance with the requirements of Section 162(m) of the Code for awards intended to qualify as "performance-based compensation" thereunder. Performance conditions under the Plan shall utilize one or more objective measurable performance goals as determined by the Committee based upon one or more factors (measured either absolutely or by reference to an index or indices and determined either on a consolidated basis or, as the context permits, on a parent, Company, affiliate, subsidiary, divisional, line of business, unit, project or geographical basis or in combinations thereof), including, but not limited to: (i) operating income; (ii) earnings before interest, taxes, depreciation and amortization; (iii) earnings; (iv) cash flow; (v) market share; (vi) sales or revenue; (vii) expenses; (viii) cost of goods sold; (ix) profit/loss or profit margin; (x) working capital; (xi) return on equity or assets; (xii) earnings per share; (xiii) economic value added; (xiv) price/earnings ratio; (xv) debt or debt-to-equity; (xvi) accounts receivable; (xvii) writeoffs; (xviii) cash; (xix) assets; (xx) liquidity; (xxi) operations; (xxii) intellectual property (e.g., patents); (xxiii) product development; (xxiv) regulatory activity; (xxv) manufacturing, production or inventory; (xxvi) mergers and acquisitions or divestitures; and/or (xxvii) financings. To the extent consistent with the requirements of Section 162(m), the Committee may provide that the performance goals applicable to an award will be adjusted in an objectively determinable manner to reflect events (such as acquisitions and dispositions) that affect the performance goals during the applicable performance period. Awards to participants who are not subject to the limitations of Section 162(m) may be determined without regard to performance goals and may involve the Committee's discretion. The Committee has the authority to award and/or pay compensation that is not exempt from the limits on deductibility under Section 162(m) of the Code.

Acceleration of Awards upon a Merger or Sale of Assets

In the event of a change in control of the Company or a covered transaction (each as defined in the Plan), the Committee may, with respect to some or all outstanding awards or a portion thereof, provide for the assumption, substitution or continuation of awards, accelerated vesting, or cancellation with or without consideration, in all cases without participant consent. Unless the Committee determines otherwise, each outstanding award will automatically terminate or be forfeited upon consummation of a change in control or a covered transaction, unless it is assumed or substituted.

Restrictions

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

Amendment and Termination

The Board of Directors may amend the Plan at any time and for any reason, provided that any such amendment will be subject to stockholder approval to the extent such approval is required by applicable laws, regulations or rules. The Board of Directors may terminate the Plan at any time and for any reason. Unless earlier terminated by the Board of Directors, the Plan will expire by its terms on October 10, 2020, the seventh anniversary of the Effective Date. The termination or amendment of the Plan may not impair in any material respect any award previously made under the Plan.

Federal Income Tax Consequences

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

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

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

For awards of restricted stock, unless the participant properly elects to be taxed at the time of receipt of the restricted stock, the participant will not have taxable income upon the receipt of the award, but upon vesting will recognize ordinary income equal to the fair market value of the Shares at the time of vesting less the amount (if any) paid for such Shares.

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

If the participant is an employee or former employee, the amount a participant recognizes as ordinary income in connection with any award is subject to withholding taxes (not applicable to incentive stock options) and the Company is generally allowed a tax deduction equal to the amount of ordinary income recognized by the participant. Section 162(m) of the Code contains special rules regarding the federal income tax deductibility of compensation paid to the Company's chief executive officer and to each of the Company's other three most highly compensated executive officers, other than the chief financial officer. The general rule is that annual compensation paid to any of these specified executives will be deductible only to the extent that it does not exceed $1,000,000. However, the Company can preserve the deductibility of certain compensation in excess of $1,000,000 if such compensation qualifies as "performance-based compensation" by complying with certain conditions imposed by the Section 162(m) rules. The Committee may structure awards to qualify as performance-based compensation, but will continue to have authority to provide compensation that is not exempt from the limits on deductibility under Section 162(m) of the Code.

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

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

Plan Benefits

Benefits, if any, payable under the Plan for 2017 and future years are dependent on the actions of the Committee and are therefore not determinable at this time. Our executive officers are eligible to receive awards under the Plan and, accordingly, our executive officers have an interest in this Proposal. In 2017, the following grants were made under the Plan to the persons and groups listed below:

Name and Principal Position	Awards (Shares)	Fair Value of Award ($)
Molly A. Hemmeter President and Chief Executive Officer	247,406	1,558,959
Gregory S. Skinner Chief Financial Officer and Vice President of Finance and Administration	17,825	245,999
Ronald L. Midyett Vice President, Chief Operating Officer and President of Apio, Inc	14,290	197,202
Larry D. Hiebert President of Lifecore Biomedical, Inc. and Vice President of Landec	13,450	185,610
Steven P. Bitler Vice President of Corporate Technology	—	—
All Executive Officers, as a group	292,972	2,187,770
All Non-employee Directors, as a group	—	—
All Non-Executive Officer Employees, as a group	127,550	665,043

Required Vote

The amendment to the Plan to increase the number of shares available for issuance by 1,000,000 shares from 2,000,000 to 3,000,000 and to re-approve the plan's performance goals for purposes of Code Section 162(m) must be approved by Shares representing a majority of the Shares present and entitled to vote on the proposal. Shares present and not voted, whether by broker non-vote, abstention or otherwise, will have the same effect as a vote against this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL NO. 3 TO APPROVE THE AMENDMENT TO THE PLAN TO INCREASE THE NUMBER OF SHARES AVAILABLE FOR ISSUANCE BY 1,000,000 SHARES FROM 2,000,000 TO 3,000,000 AND TO RE-APPROVE THE PLAN'S PERFORMANCE GOALS FOR PURPOSES OF CODE SECTION 162(m).

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes information with respect to options and other equity awards under Landec's equity compensation plans as of May 28, 2017:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (2)	Number of Securities Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders.............	2,080,897	$ 13.20	155,239(3)

(1) Consists of stock options and restricted stock units outstanding under Landec's equity compensation plans, as no stock warrants or other rights were outstanding as of May 28, 2017.

(2) The weighted average exercise price does not take restricted stock units into account as restricted stock units have no purchase price.

(3) Represents shares remaining for issuance pursuant to the 2013 Stock Incentive Plan.

The 2013 Stock Incentive Plan

The 2013 Stock Incentive Plan (the "***2013 Plan***"), which was approved by stockholders, authorizes the grant of equity awards, including stock options, restricted stock and restricted stock units to employees, including officers and directors, outside consultants and non-employee directors of the Company. 2,000,000 shares are authorized to be issued under this plan. The exercise price of stock options to be granted under the 2013 Plan will be the fair market value of the Company's Common Stock on the date the options are granted. Options to be granted under the 2013 Plan will generally be exercisable upon vesting and will generally vest ratably over three years.

The 2009 Stock Incentive Plan

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

PROPOSAL NO. 4

NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Compensation Discussion and Analysis beginning on page 27 of this Proxy Statement describes the Company's executive compensation program and the compensation decisions that the Compensation Committee and Board of Directors made in fiscal year 2017 with respect to the compensation of our named executive officers. The Board of Directors is asking stockholders to cast a non-binding, advisory vote **FOR** the following resolution:

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

We urge stockholders to read the Compensation Discussion and Analysis beginning on page 27 of this Proxy Statement, as well as the Summary Compensation Table and related compensation tables, appearing on pages 39 through 42, which provide detailed information on the Company's compensation policies and practices.

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

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

At the 2016 annual meeting of stockholders, 98.4% of votes cast expressed support for our compensation policies and practices, and we believe our program continues to be effective.

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

PROPOSAL NO. 5.

NON-BINDING ADVISORY VOTE ON FREQUENCY OF EXECUTIVE

COMPENSATION ADVISORY VOTES

In Proposal 4, we are asking stockholders to cast an advisory vote for the compensation disclosed in this proxy statement that the Company paid in 2017 to our named executive officers. This advisory vote is referred to as a "say-on-pay" vote. In this Proposal 5, the Board of Directors is asking stockholders to cast a non-binding, advisory vote on how frequently we should have say-on-pay votes in the future. Stockholders will be able to mark the enclosed proxy card or voting instruction form on whether to hold say-on-pay votes every one, two or three years. Alternatively, you may indicate that you are abstaining from voting.

> "RESOLVED, that the stockholders of the Company recommend, in a non-binding vote, whether an advisory vote to approve the compensation of the Company's named executive officers should occur every one, two or three years."

After considering this item, the Board of Directors has determined that a vote every year on executive compensation is appropriate. By providing an advisory vote on executive compensation on an annual basis, our stockholders will be able to provide us with timely and direct input on our compensation philosophy, policies and practices as disclosed in the proxy statement every year. Therefore, the Board of Directors recommends that you vote to hold say-on-pay votes every year.

This vote, like the say-on-pay vote itself, is not binding on the Board of Directors. However, the Board of Directors values stockholders' input and will consider the outcome of this vote when determining the frequency of future say-on-pay votes.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" CONDUCTING FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION EVERY YEAR.

AUDIT COMMITTEE REPORT

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

Composition

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

Responsibilities

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

Review with Management and Independent Auditors

The Audit Committee held four meetings during fiscal year 2017. The Audit Committee met and held discussions with management and representatives of the Company's independent registered public accounting firm, Ernst & Young LLP. Management represented to the Audit Committee that the Company's consolidated financial statements for the fiscal year ended May 28, 2017 were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements for the fiscal year ended May 28, 2017 with management and the Company's independent registered public accounting firm.

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

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

Summary

Based upon the Audit Committee's discussions with management and the Company's independent registered public accounting firm, the Audit Committee's review of the representations of management and the report of the independent registered public accounting firm to the Audit Committee, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10- K for the fiscal year ended May 28, 2017, as filed with the SEC.

This report is submitted by the Audit Committee.

Tonia Pankopf (Chairperson)
Steven Goldby
Robert Tobin

EXECUTIVE OFFICERS OF THE COMPANY

The following sets forth certain information with regard to each named executive officer and each executive officer of the Company for fiscal year 2017. Ages are as of August 21, 2017.

Molly A. Hemmeter (age 50) has been the Company's President and Chief Executive Officer since October 15, 2015. Prior to that she served as the Chief Operating Officer of the Company from January 2014 to October 2015, prior to which she served as Chief Commercial Officer of the Company from December 2010 to January 2014 and Vice President, Business Development and Global Marketing of the Company from June 2009 to December 2010. From July 2006 until joining the Company in June 2009, Ms. Hemmeter was Vice President of Global Marketing and New Business Development for the Performance Materials division of Ashland, Inc., a global specialty chemicals company. Prior to joining Ashland, Inc., Ms. Hemmeter was Vice President of Strategy and Marketing for Siterra Corporation and Chief Marketing Officer for CriticalArc Technologies in the San Francisco Bay Area, both of which were privately held software startup companies that were eventually acquired by larger entities, and she previously held various positions at Bausch & Lomb and Eli Lilly and Company.

Gregory S. Skinner (age 56) has been Chief Financial Officer and Vice President of Finance of the Company since November 1999 and Vice President of Administration since November 2000. From May 1996 to October 1999, Mr. Skinner served as Controller of the Company. From 1994 to 1996, Mr. Skinner was Controller of DNA Plant Technology and from 1988 to 1994 he was with Litton Electron Devices. Prior to joining Litton Electron Devices, Mr. Skinner was with Litton Industries, Inc. and Arthur Andersen & Company.

Ronald L. Midyett (age 51) has been Chief Operating Officer since October 2015. He has served as President of Apio since January 2008 and as a Vice President of the Company since February 2008. Mr. Midyett joined Apio in May 2005 as Chief Operating Officer. Prior to joining Apio, Mr. Midyett was Senior Vice President of Operations for Dole Fresh Vegetables. Mr. Midyett has over 30 years of technology and operations experience in the produce industry. Mr. Midyett was a member of the board of directors of the United Fresh Fruit and Vegetable Association from 2009 to 2015, served as chairman from April 2013 through April 2014, and is currently a member of its executive committee. Mr. Midyett is currently a director of Windset Holdings 2010 Ltd., a privately held Canadian corporation.

Larry D. Hiebert (age 61) has been President of Lifecore and a Vice President of the Company since June 2013. Mr. Hiebert served as Lifecore's Vice President and General Manager from July 2006 to June 2013. Prior to that he was Lifecore's Vice President of Operations from March 2004 to June 2006 and Director of Operations from March 1997 to March 2004, and held various Manufacturing and Materials Management positions within Lifecore from October 1983 to March 1997. Mr. Hiebert has over 30 years of operational experience in the biomaterials industry.

Mr. Hiebert retired as President of Lifecore and a Vice President of the Company on May 28, 2017. He was replaced by Mr. James Hall who had been serving as the Vice President and General Manager of Lifecore.

Steven P. Bitler, Ph.D. (age 59) has been Vice President, Corporate Technology of the Company since March 2002. From 1988 until March 2002, Dr. Bitler held various positions with the Company related to the Company's polymer product development and thermal switch products. Prior to joining the Company, Dr. Bitler developed new high strength polymeric materials at SRI International.

COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of the Company's Common Stock as of August 21, 2017 as to (i) each person who is known by the Company to beneficially own more than five percent of any class of the Company's voting stock, (ii) each of the Company's directors, (iii) each of the executive officers named in the Summary Compensation Table of this proxy statement (the "***Named Executive Officers***"), and (iv) all directors and executive officers as a group. The business address of each director and executive officer named below is c/o Landec Corporation, 3603 Haven Avenue, Menlo Park, CA 94025.

	Shares Beneficially Owned (1)	
Name	Number of Shares of Common Stock	Percent of Total (2)
5% Stockholders		
NWQ Investment Management Company, LLC 2049 Century Park East, 16th Floor Los Angeles, CA 90067	3,726,173(3)	13.55%
Franklin Resources, Inc. 55 Challenger Road, Suite 501 Ridgefield Park, NJ 07660	2,740,300(4)	9.96%
Wynnefield Capital, Inc 450 Seventh Ave, #509 New York, NY 10123	2,682,400(5)	9.75%
Dimensional Fund Advisors, L.P. 6300 Bee Cave Road, Building One Austin, TX 78746	2,297,667(6)	8.35%
BlackRock, Inc 55 E. 52nd Street New York, NY 10055	1,839,207(7)	6.69%
Executive Officers and Directors		
Molly A. Hemmeter President and Chief Executive Officer	359,651(8)	1.29%
Gregory S. Skinner Chief Financial Officer and Vice President of Finance and Administration	303,710(9)	1.10%
Ronald L. Midyett Chief Operating Officer and Vice President	137,802(10)	*
Larry D. Hiebert President of Lifecore Biomedical, Inc. and Vice President of Landec	—(11)	*
Steven P. Bitler Vice President of Corporate Technology	86,332(12)	*

	Shares Beneficially Owned (1)	
Name	Number of Shares of Common Stock	Percent of Total (2)
Albert D. Bolles, Ph.D., Director	12,976	*
Deborah Carosella, Director	0	*
Frederick Frank, Director	56,892(13)	*
Steven Goldby, Director	49,373(14)	*
Tonia Pankopf, Director	27,551(15)	*
Catherine A. Sohn, Pharma.D., Director	29,805(16)	*
Gary T. Steele, Director	179,782(17)	*
Robert Tobin, Director	54,459 (18)	*
All directors and executive officers as a group (13 persons)	1,298,293(19)	4.62%

* Less than 1%

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

(2) As of August 21, 2017, 27,506,712 shares of Common Stock were issued and outstanding. Percentages are calculated with respect to a holder of options exercisable within 60 days after August 21, 2017 as if such holder had exercised his options. Options held by other holders are not included in the percentage calculation with respect to any other holder.

(3) This information is based on a Form 13F filed by NWQ Investment Management Company, LLC with the SEC showing such beneficial owner's holdings as of June 30, 2017.

(4) This information is based on a Form 13F filed by Franklin Resources, Inc. with the SEC showing such beneficial owner's holdings as of June 30, 2017.

(5) This information is based on a Form 13F filed by Wynnefield Capital, Inc with the SEC showing such beneficial owner's holdings as of June 30, 2017.

(6) This information is based on a Form 13F filed by Dimensional Fund Advisors LP with the SEC showing such beneficial owner's holdings as of June 30, 2017.

(7) This information is based on a Form 13F filed by nine institutions with the SEC: BlackRock Institutional Trust Company, N.A.; BlackRock Advisors, BlackRock Advisors, LLC; BlackRock Investment Management, LLC; BlackRock (Netherlands) B.V.; Blackrock Financial Management, Inc, BlackRock Asset Management Canada Limited, Blackrock Asset Management Schweiz AG; Blackrock Asset Management Ireland Limited under the parent company BlackRock, Inc showing such beneficial owners' holdings as of June 30, 2017.

(8) This number includes 321,233 shares subject to outstanding stock options exercisable within 60 days after August 21, 2017.

(9) This number includes 65,000 shares subject to outstanding stock options exercisable within 60 days after August 21, 2017.

(10) This number includes 53,333 shares subject to outstanding stock options exercisable within 60 days after August 21, 2017.

(11) Mr. Hiebert retired as President of Lifecore and a Vice President of the Company on May 28, 2017 as such he has zero shares subject to outstanding stock options exercisable within 60 days after August 21, 2017.

(12) This number includes 16,666 shares subject to outstanding stock options exercisable within 60 days after August 21, 2017.

(13) This number includes 10,000 shares subject to outstanding stock options exercisable within 60 days after August 21, 2017.

(14) This number includes 10,000 shares subject to outstanding stock options exercisable within 60 days after August 21, 2017.

(15) This number includes 6,667 shares subject to outstanding stock options exercisable within 60 days after August 21, 2017.

(16) This number includes 10,000 shares subject to outstanding stock options exercisable within 60 days after August 21, 2017.

(17) This number includes 91,666 shares subject to outstanding stock options exercisable within 60 days after August 21, 2017.

(18) This number includes 10,000 shares subject to outstanding stock options exercisable within 60 days after August 21, 2017.

(19) This number includes an aggregate of 594,565 shares held by officers and directors that are subject to outstanding stock options exercisable within 60 days after August 21, 2017.

EXECUTIVE COMPENSATION AND RELATED INFORMATION

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis ("CD&A") describes the philosophy, objectives and structure of our 2017 executive compensation program. This CD&A is intended to be read in conjunction with the tables which immediately follow this section, which provide further historical compensation information.

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

Molly Hemmeter	President and Chief Executive Officer
Gregory S. Skinner	Vice President of Finance and Administration, and Chief Financial Officer
Ronald L. Midyett	Vice President and Chief Operating Officer, and President of Apio
Larry D. Hiebert	Vice President and President of Lifecore
Steven P. Bitler	Vice President of Corporate Technology

CD&A Reference Guide

I. Executive Summary

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

Landec had many noteworthy accomplishments in fiscal year 2017 compared to fiscal year 2016:

1) Lifecore delivered a record year with revenues increasing 18% to $59.4 million and operating income increasing 13% to $15.9 million. The shift in Lifecore's business model from a premium supplier of hyaluronic acid (HA) to a fully integrated contract development and manufacturing organization (CDMO) for difficult-to-handle biomaterials is delivering results.

2) Apio's strategy to focus on innovation and shift its product mix to higher margin products resulted in a 260 basis point increase in gross margin. Despite a 4% decline in revenues, Apio's gross profit in fiscal 2017 increased $10.5 million, or 23%, which was due to a reduction in lower margin product sales coupled with positive operating efficiencies, including more favorable produce sourcing.

3) Apio added considerable new distribution late in fiscal year 2017, specifically: (1) Walmart expanded the distribution of our Sweet Kale Salad from 1,400 stores to 3,800 stores; (2) Kroger became Eat Smart's newest salad customer, ordering four varieties of Eat Smart® salads that started shipping to 2,000 stores in July 2017; and (3) Fresh Market started up as a new customer and began shipping eight varieties of Eat Smart salads to approximately 177 stores.

4) Finally, we added O Olive Oil, Inc. to our portfolio in March 2017. O Olive is Landec's first step in our stated strategy of moving into natural product segments beyond produce that offer consumers convenient, delicious, and healthy options for everyday eating.

Our compensation program has been structured by the Compensation Committee (the "Committee") of the Board of Directors to reward and incentivize executives to create long-term, sustainable stockholder value growth through a focus on corporate, business unit, and individual achievement. The performance metrics used, and the goals being set, are reflective of our business strategy. Highlights of our fiscal year 2017 compensation program include:

- **Introduction of performance-based long-term cash incentive program (LTIP)**
  This new LTIP delivers value to participants upon the achievement of ROIC goals for fiscal year 2019. We believe that the return on invested capital (ROIC) demonstrates effective use of capital and is an important driver of our long-term growth.

- **New long-term incentive (LTI) compensation mix going forward**
  With the addition of the cash LTIP, the Committee has structured the LTI as 50% cash-based LTIP, 30% restricted stock units (RSUs) and 20% stock options.

- **New short-term incentive (STI) compensation metric added**
  For 20% of the annual cash incentive award plan, the Committee added "all or nothing" strategic goals for each executive which may be based on corporate, Apio or Lifecore achievements, depending on the responsibility of the executive. The other 80% of the annual cash incentive award plan will still be based on achieving established targets for revenues and operating income for each business unit and consolidated Landec results.

- **Revised peer group for fiscal year 2017**
  We made changes to our peer group this year to better reflect our business practices.

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

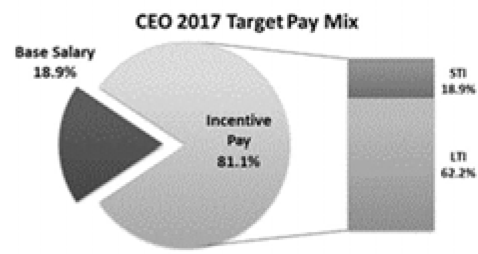
Components of Our Compensation Program

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

Base Salary	Base salaries are set to be competitive to the marketplace. Base salaries are not automatically adjusted annually but instead are adjusted when the Committee judges that a change is warranted due to changes in an executive officer's responsibilities, demonstrated performance or relevant market data.
Short-Term Incentives	20% of the annual cash incentive award plan is based on achieving certain strategic goals for each executive which may be based on corporate, Apio or Lifecore achievements, depending on the responsibility of the executive. 80% of the annual cash incentive award plan is based on achieving established targets for revenues and operating income for each business unit and consolidated Landec results.
Long-Term Incentives	Long-term equity awards incentivize executives to deliver long-term stockholder value, while also providing a retention vehicle for our executives. The LTI mix is currently 50% cash LTIP, 30% RSUs and 20% stock options.

2017 Target Total Compensation

To promote our pay-for-performance philosophy, and align the interests of management and stockholders, our 2017 executive compensation program focused extensively on variable compensation components. For example, our CEO's target pay for fiscal year 2017 consists of over 81% variable, or "at risk" incentive pay. This includes short-term cash incentives, as well as long-term incentives delivered as stock options, RSUs, and our new performance-based cash LTIP vehicle.



Compensation Governance Practices

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

Best Practices We Employ

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

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

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

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

No Excessive Perquisites. Other than participation in benefit plans offered to all of our employees, we offer no other perquisites to our executive officers.

No Section 280G Gross-ups. None of our executive officers are entitled to a Section 280G gross-up.

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

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

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

Say on Pay Voting Results

At the 2016 annual meeting of stockholders, our say-on-pay proposal received strong support, garnering support from 98.4% of shares cast. This is consistent with the voting results of 2015 and 2014, which had support levels of 97.4% and 97.9%, respectively. The Company is pleased with these results and believes that stockholders have confirmed our executive compensation philosophy, policies and programs. The Committee took these results into account by continuing to emphasize our pay-for-performance philosophy which utilizes performance measures that provide incentives to deliver value to our stockholders.

II. Compensation Philosophy and Objectives

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

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

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

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

III. Establishing Executive Compensation

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

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

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

Role of the Compensation Consultant

In March 2017, the Committee retained Radford Consulting, an Aon Hewitt company, to provide consulting services to the Committee, including advice on compensation philosophy, incentive plan design, executive compensation analysis, and CD&A disclosure, among other compensation topics. Radford provides no services to the Company other than consulting services provided to the Committee.

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

IV. Compensation Competitive Analysis

Our Committee uses peer group information to provide context for its compensation decision-making for our executive officers. The Committee monitors the peer group to assess its appropriateness as a source of competitive compensation data and reassesses the relevance of the peer group as needed. In an effort to more accurately reflect the significant portion of the Company's business attributable to Apio's operations, the peer group was adjusted and simplified in 2014, to allow for comparisons on how these peers address the volatility and unpredictability of financial results as well as to assess competitive pay levels in the food and life sciences industries. Similarly, the Committee revised the Company's peer group again for fiscal year 2017, with Amplify Snack Brands being added, while Inventure Foods and Snyder's Lance being removed.

Our fiscal year 2017 peer group consisted of the following companies:

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

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

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

V. Elements of Compensation

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

Base Salaries

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

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

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

In fiscal years 2017 and 2016, our NEO base salaries were as follows:

Name	FY 2017	FY 2016	% Change
Molly A. Hemmeter	475,000	426,000	11.5%
Gregory S. Skinner	380,000	380,000	0.0%
Ronald L. Midyett	340,000	340,000	0.0%
Larry D. Hiebert	300,000	300,000	0.0%
Steven P. Bitler	275,000	273,461	0.6%

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

Annual Cash Incentive Award Plan

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

In keeping with our pay for performance philosophy, a portion of our executive's annual compensation is "at risk" compensation. This has resulted in most of our NEOs not receiving any annual cash incentive award or only a portion of their targeted award in a majority of recent years. This was also the case in fiscal year 2017, where despite a strong year in terms of overall achievements, Apio did not achieve its revenue and operating income targets due to a variety of factors, such as certain customers deciding to change to a multi-sourcing strategy resulting in the loss of some business at Apio and the Company's long-term strategic decision to discontinue certain low-margin Apio business, which resulted in Apio not achieving its minimum targets for the payment of that portion of the annual cash incentive award in fiscal year 2017.

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

Fiscal Year 2017 Cash Incentive Award Plan

At the beginning of fiscal year 2017, the Committee approved the 2017 Cash Incentive Award Plan for the year which included financial objectives for each business unit and at the corporate level on a consolidated basis. The financial objectives were based on the internally-developed financial plan for the fiscal year. The 2017 Cash Incentive Award Plan was based on established targets for revenues and operating income for each business unit and consolidated Landec results.

For fiscal year 2017, the CEO's target cash incentive award was 100% of her base salary, and the other Named Executive Officers' target incentive awards ranged from 40% to 60% of their base salary.

In fiscal year 2017, performance measures were broken into two buckets:

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

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

For Ms. Hemmeter and Mr. Skinner, each award target was based on consolidated Landec performance; for Mr. Midyett, the award targets was based on Apio's annual financial results; for Mr. Hiebert, the award target was based on Lifecore's annual financial results and for Dr. Bitler, the award target was based on several specific financial goals related to the success and advancement of the Company's BreatheWay® technology and overall Landec results. No bonuses are payable if revenue or operating income was less than 80% of the target amounts; bonuses can exceed the target bonus for each NEO based on the business unit and/or consolidated Landec results exceeding the targeted amounts.

Based on the metrics described above, the Named Executive Officers' target incentive awards and actual amounts earned for fiscal year 2017 were as follows:

Name	Target as % of Base Salary	Target ($)	Actual Earned 2017 Incentive Award ($)
Molly A. Hemmeter	100%	$ 475,000	$ 331,088
Gregory S. Skinner	60%	$ 228,000	$ 158,922
Ronald L. Midyett	50%	$ 170,000	$ 34,000
Larry D. Hiebert	50%	$ 150,000	$ 157,525
Steven P. Bitler	40%	$ 110,000	$ 49,336

Long-Term Incentive Compensation

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

Award Types

Awards to eligible employees, including Named Executive Officers, are generally made on an annual basis. Equity-based awards typically take the form of stock options and RSUs, and are generally granted with a three-year vesting schedule. For fiscal year 2017, we also introduced performance-based cash awards to be paid under the LTIP.

Landec grants stock options because they can be an effective tool for meeting Landec's compensation goal of increasing long-term stockholder value. Employees are able to profit from stock options only if Landec's stock price increases in value over the stock option's exercise price. Landec grants RSUs because they provide a more predictable value to employees than stock options, and therefore are efficient tools in retaining and motivating employees, while also serving as an incentive to increase the value of Landec's stock. RSUs also can be a more efficient means of using equity plan share reserves because fewer RSUs are needed to provide a retention and incentive value as compared to awards of stock options. Finally, we have introduced a performance-based cash LTIP to provide an incentive vehicle directly linked to our strategic goal of focusing on ROIC. We have chosen a cash-based plan to help manage our equity burn rate and avoid dilution. When earned, the cash received by an executive in the LTIP must be placed in a deferred compensation account for a minimum of one year before it can be drawn.

LTI Grants in Fiscal Year 2017

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

During fiscal year 2017, the Committee granted equity awards to executive officers, including our Named Executive Officers, as follows:

Name	Stock Options (#)	RSUs (#)
Molly A. Hemmeter	150,000	97,406
Gregory S. Skinner	—	17,826
Ronald L. Midyett	—	14,290
Larry D. Hiebert	—	13,450
Steven P. Bitler	—	—

Additionally, the Committee set the following individual target amounts for the cash-based awards to be paid under the LTIP for our NEOs, based on achieving a specific ROIC target for fiscal year 2019:

Name	Target Amount
Molly A. Hemmeter	$ 327,100
Gregory S. Skinner	$ 123,000
Ronald L. Midyett	$ 98,600
Larry D. Hiebert (1)	$ 92,800

(1) Mr. Hiebert will not receive any payment under the LTIP due to his retirement at the end of fiscal year 2017.

Each participant who continues as an employee will receive a payout that is a percentage of their individual target amount, based on a ratio of the actual ROIC to the target ROIC. The payout scale will be as follows:

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

VI. Additional Compensation Policies and Practices

Clawback Policy

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

Executive Stock Ownership Requirements

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

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

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

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

Nonqualified Deferred Compensation Plan

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

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

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

401(k) Plan and Other Generally Available Benefit Programs

Landec maintains a tax-qualified 401(k) plan which provides for broad-based employee participation. Under the 401(k) Plan, all Landec employees are eligible to receive matching contributions from Landec. The 401(k) Plan is a safe harbor plan (as defined in the Internal Revenue Code of 1986) with a safe harbor match of 100% on the first 3% of deferrals and 50% on the next 2% of each participant's pretax contributions; and the match is calculated and paid to participants' accounts on a payroll-by-payroll basis, subject to applicable federal limits. The 401(k) Plan does not have an associated vesting schedule. Landec also makes an annual "reconciling match" by recalculating the regular matching contribution as if it were paid on an annualized, instead of payroll-by-payroll, basis. If the annualized matching contribution would have been higher, Landec makes a contribution to the participant's account in an amount equal to the difference between the two amounts. Other than the 401(k) Plan, Landec does not provide defined benefit pension plans or defined contribution retirement plans to its executives or other employees.

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

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

Employment Agreements

Chief Executive Officer

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

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

Other Named Executive Officers

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

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

Compliance with Internal Revenue Code Section 162(m)

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally disallows a tax deduction to public companies for certain compensation in excess of $1 million paid to a company's executive officers. Certain compensation, including qualified performance-based compensation, will not be subject to the deduction limit if specified requirements are met. The Committee reviews the potential effect of Section 162(m) periodically and may seek to structure the long-term incentive compensation granted to Named Executive Officers in a manner that is intended to avoid disallowance of deductions under Section 162(m). Nevertheless, there can be no assurance that compensation attributable to long-term incentive awards will be treated as qualified performance-based compensation under Section 162(m). In addition, the Committee reserves the right to authorize compensation payments that may be in excess of the limit when the Committee believes such payments are appropriate and in the best interest of Landec and its stockholders, after taking into consideration changing business conditions and the performance of its employees.

Compensation Committee Interlocks and Insider Participation

The Committee is composed of Dr. Sohn (Chairperson), Dr. Bolles and Mr. Frank. During fiscal year 2017, none of the Company's executive officers served on the board of directors of any entities whose directors or officers serve on the Committee. None of the Committee's current or former members has at any time been an officer or employee of Landec. None of Landec's executive officers currently serve, or in the past fiscal year have served, as members of the board of directors or compensation committee of any entity that has one or more of its executive officers serving on Landec's Board of Directors or the Committee.

Compensation Committee Report

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

The Committee has reviewed and discussed with management the Compensation Discussion and Analysis for fiscal year 2017. Based on the review and discussions, the Committee recommended to the Board of Directors, and the Board of Directors has approved, that the Compensation Discussion and Analysis be included in Landec's Proxy Statement for its 2017 Annual Meeting of Stockholders and incorporated into our Annual Report on Form 10-K for the fiscal year ended May 28, 2017.

This report is submitted by the Committee:

Catherine A. Sohn, Pharma. D. (Chairperson)
Al Bolles, Ph.D.
Fred Frank

Summary Compensation

The following table shows compensation information for fiscal years 2017, 2016 and 2015 for the Named Executive Officers.

Summary Compensation Table

Name and Principal Position	Year	Salary ($) (1)	Stock Awards ($) (2)	Option Awards ($) (3)	Non-Equity Incentive Plan Compensation ($) (4)	All Other Compensation ($) (5)	Total ($)
Molly A. Hemmeter	2017	475,000	1,221,703	337,256	331,088	19,896	2,384,943
President and Chief Executive	2016	426,000	—	—	—	17,320	443,320
Officer	2015	345,000	1,439,000	1,026,900	195,079	12,906	3,018,885
Gregory S. Skinner	2017	380,000	245,999	—	158,922	10,975	795,896
Chief Financial Officer and	2016	380,000	—	—	—	18,290	398,290
Vice President of Finance and Administration	2015	325,000	215,850	154,035	155,832	12,114	862,831
Ronald L. Midyett	2017	340,000	197,202	—	34,000	26,014	597,216
Vice President, Chief Operating	2016	340,000	—	—	—	26,014	366,014
Officer and President of Apio, Inc	2015	340,000	143,900	102,690	192,246	27,652	806,488
Larry D. Hiebert	2017	300,000	185,610	—	157,525	13,839	656,974
President of Lifecore Biomedical,	2016	300,000	56,800	40,393	199,119	12,895	609,207
Inc. and Vice President of Landec	2015	300,000	107,925	77,018	30,000	14,339	529,282
Steven P. Bitler	2017	275,000	—	—	49,336	11,137	335,473
Vice President of Corporate	2016	273,461	—	—	—	11,029	284,490
Technology	2015	243,750	71,950	51,300	75,119	10,686	452,805

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

(2) Amounts shown do not reflect compensation actually received by the Named Executive Officer. Instead, the amounts shown are the aggregate grant date fair value of RSUs granted during fiscal year 2017 computed for financial statement reporting purposes in accordance with ASC 718. The assumptions used to calculate the value of the RSU awards are set forth under Note 1 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 28, 2017. In accordance with SEC rules, these amounts exclude estimates of forfeitures in the case of awards with service-based vesting conditions.

(3) Amounts shown do not reflect compensation actually received by the Named Executive Officer. Instead, the amounts shown are the aggregate grant date fair value of stock options granted during fiscal year 2017 computed for financial statement reporting purposes in accordance with ASC 718. The assumptions used to calculate the value of stock option awards are set forth under Note 1 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 28, 2017. In accordance with SEC rules, these amounts exclude estimates of forfeitures in the case of awards with service-based vesting conditions.

(4) Amounts consist of bonuses earned for meeting and/or exceeding financial performance targets in fiscal years 2017, 2016 and 2015 under the Company's annual Cash Incentive Award Plans.

(5) Amounts consist of Company-paid life insurance and an employer 401(k) match for all Named Executive Officers. The amount shown for Mr. Hiebert also include Company-paid disability insurance for which Mr. Hiebert, is the beneficiary. For Mr. Midyett, the amount shown includes an annual car allowance of $15,000. For Ms. Hemmeter, the amount includes a car allowance expense of $8,336.

Grants of Plan-Based Awards

The following table shows all plan-based awards granted to the Named Executive Officers during fiscal year 2017. The option awards and the unvested portion of the stock awards identified in the table below are also reported in the "Outstanding Equity Awards at Fiscal 2017 Year-End" table on the following page.

Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/share)	Grant Date Fair Value of Stock and Option Awards ($) (2)
		Threshold ($)	Target ($)	Maximum ($)				
Molly A. Hemmeter ...		—	475,000	N/A	—	—	—	—
	10/20/2016				47,406	—	—	654,203
	07/21/2016				50,000			567,500
	07/21/2016					150,000	11.35	337,256
Gregory S. Skinner.....		—	228,000	N/A	—	—	—	—
	10/20/2016				17,826	—	—	245,999
Ron Midyett		—	170,000	N/A	—	—	—	—
	10/20/2016				14,290	—	—	197,202
Larry D. Hiebert.........		—	150,000	N/A	—	—	—	—
	10/20/2016				13,450	—	—	185,610
Steve P. Bitler............		—	110,000	N/A	—	—	—	—

(1) Amounts shown are estimated payouts for fiscal year 2017 to the Named Executive Officers under the 2017 Cash Incentive Award Plan. The target amount is based on a percentage of the individual's fiscal year 2017 base salary. All executives received a cash incentive award for fiscal year 2017. For more information on these awards, including the amount actually paid, see "Compensation Discussion and Analysis-Annual Cash Incentive Award Plan."

(2) The value of a stock award or option award is based on the fair value as of the grant date of such award determined pursuant to ASC 718. Stock awards consist only of RSUs. The exercise price for all options granted to the Named Executive Officers is 100% of the fair market value of Landec Common Stock on the grant date. The option exercise price has not been deducted from the amounts indicated above. Regardless of the value placed on a stock option on the grant date, the actual value of the option will depend on the market value of Landec Common Stock at such date in the future when the option is exercised. The value of the option following this exercise does not include the option exercise price. All options vest at the rate of 1/36th per month and therefore all options are fully vested three years after the date of grant. RSUs typically vest on the third anniversary of the date of grant but the grants made on October 20, 2016 in connection with the LTIP have half of the RSUs cliff vesting on the first anniversary of the grant date and the other half vesting on the second anniversary of the grant date.

Equity Awards

The following table shows all outstanding equity awards held by the Named Executive Officers at the end of fiscal year 2017. The awards for fiscal year 2017 identified in the table below are also reported in the "Grants of Plan-Based Awards" table on the previous page.

Outstanding Equity Awards at Fiscal 2017 Year-End

		Option Awards				Stock Awards	
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable (#) (1)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (2)	Market Value of Shares Or Units of Stock That Have Not Vested ($) (3)
Molly A. Hemmeter ..	10/20/2016	—	—	—	—	47,406	647,092
	07/21/2016	41,666	108,334	11.35	07/21/2023	50,000	682,500
	05/28/2015	199,500	100,500	14.39	05/28/2022	100,000	1,365,000
	06/07/2013	30,000	—	14.30	06/07/2020	—	—
Gregory S. Skinner....	10/20/2016	—	—	—	—	17,826	243,325
	05/28/2015	30,000	15,000	14.39	05/28/2022	15,000	204,750
	06/07/2013	30,000	—	14.30	06/07/2020	—	—
Ronald L. Midyett	10/20/2016	—	—	—	—	14,290	195,059
	05/28/2015	20,000	10,000	14.39	05/28/2002	10,000	136,500
	06/07/2013	30,000	—	14.30	06/07/2020	—	—
Larry D. Hiebert	10/20/2016	—	—	—	—	13,450	183,593
	05/25/2016	5,000	10,000	11.36	05/23/2023	5,000	68,250
	05/28/2015	15,000	7,500	14.39	05/28/2022	7,500	102,375
	06/07/2013	18,000	—	14.30	06/07/2020		
			—			—	—
Steven P. Bitler..........	05/28/2015	10,000	5,000	14.39	05/28/2022	5,000	68,250
	06/07/2013	5,000	—	14.30	06/07/2020	—	—

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

(2) The RSUs typically vest on the third anniversary of the date of grant, except that the RSUs granted on October 20, 2016 in connection with the LTIP have half of the RSUs cliff vesting on the first anniversary of the grant date and the other half vesting on the second anniversary of the grant date.

(3) Value is based on the closing price of the Company's Common Stock of $13.65 on May 28, 2017 as reported on the Nasdaq Global Select Market.

Option Exercises and Stock Vested

The following table shows all stock options exercised and the value realized upon exercise and the number of stock awards vested and the value realized upon vesting by the Named Executive Officers during fiscal year 2017.

Option Exercises and Stock Vested For Fiscal 2017

	Option Awards			Stock Awards		
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($) (1)**	**Number of shares withheld to cover exercise price and taxes (#) (2)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**	**Number of shares withheld to cover taxes (#) (2)**
Molly A. Hemmeter	37,500	287,625	19,495	10,000	115,400	3,758
Gregory S. Skinner	75,000	681,572	36,160	10,000	115,400	3,758
Ronald L. Midyett	—	—	—	10,000	115,400	3,719
Larry D. Hiebert	2,500	16,925	1,135	6,000	69,240	1,962
Steven P. Bitler	45,000	336,700	16,872	1,667	19,237	—

(1) The value realized equals the difference between the option exercise price and the fair market value of Landec Common Stock on the date of exercise, multiplied by the number of shares for which the option was exercised.

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

Nonqualified Deferred Compensation

The following table shows all compensation deferred by the Named Executive Officers, and earnings on such deferred compensation, under the Deferral Plan during fiscal year 2017.

Nonqualifed Deferred Compensation

Name	**Executive Contributions in Fiscal Year 2017 ($) (1)**	**Registrant Contributions in Fiscal Year 2017 ($)**	**Aggregate Earnings in Fiscal Year 2017 ($) (2)**	**Aggregate Withdrawals in Fiscal Year 2017 ($)**	**Aggregate Balance at End of Fiscal Year 2017 ($)**
Molly A. Hemmeter	—	—	24,019	—	226,460
Gregory S. Skinner	—	—	—	—	—
Ronald L. Midyett	—	—	—	—	—
Larry D. Hiebert	—	—	—	—	—
Steven P. Bitler	—	—	—	—	—

(1) Contributions reported in this column are reported as compensation in the Salary column of the Summary Compensation Table.

(2) Amounts reported in this column represent the aggregate earnings accrued and credited to a Named Executive Officer's account during fiscal year 2017.

Employment Contracts and Potential Payments upon Termination or Change in Control

Employment Contracts

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

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

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

On October 15, 2015, the Company entered into a new executive employment agreement with Mr. Skinner (the ***"Skinner Agreement"***) setting forth the terms of his employment. The Skinner Agreement expires on December 31, 2018 unless renewed or extended by both parties, and provides that Mr. Skinner shall be paid an annual base salary of \$380,000 through the term of the Skinner Agreement (unless modified by the Compensation Committee), and continue to participate in the annual Cash Incentive Award Plan. Mr. Skinner is also eligible for grants of equity-based awards at such times and in such amounts as determined by the Compensation Committee.

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

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

Potential Payments upon Termination or Change in Control

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

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

If Ms. Hemmeter's or Mr. Skinner's employment with the Company had been terminated without cause or for good reason not in connection with a change of control of the Company on May 28, 2017, the last day of Landec's fiscal year 2017, Ms. Hemmeter and Mr. Skinner would have received the following severance benefits under the Hemmeter Agreement and Skinner Agreement, respectively:

Name	Base Salary (1)	Bonus Payment	Accelerated Vesting of Options (2)	Accelerated Vesting of RSUs (3)	Post-Termination Health Insurance Premiums (4)	Total
Molly A. Hemmeter	$ 475,000	$ 331,088	$ 249,168	$ 1,688,547	$ 23,472	$ 2,767,275
Gregory S. Skinner	$ 380,000	$ 158,922	$ —	$ 326,412	$ 23,472	$ 888,806

(1) Reflects potential payments based on salaries as of May 28, 2017.
(2) A portion of unvested options for Ms. Hemmeter and all unvested options for Mr. Skinner are out of the money (exercise price above stock price as of May 28, 2017) and therefore there is no value to the acceleration for those options.
(3) Accelerating the vesting of the outstanding RSUs by one year would result in 123,703 and 23,913 of the currently outstanding RSUs vesting as of May 28, 2017 for each of Ms. Hemmeter and Mr. Skinner, respectively.
(4) Represents the maximum amount of premiums that would have been paid under COBRA on behalf of Ms. Hemmeter and Mr. Skinner

If Ms. Hemmeter's or Mr. Skinner's employment with the Company had been terminated without cause or for good reason in connection with a change of control of the Company on May 28, 2017, the last day of Landec's fiscal year 2017, Ms. Hemmeter and Mr. Skinner would have received the severance benefits under the Hemmeter Agreement and Skinner Agreement, respectively, set forth above, except that amounts received for base salary would have been $712,500 and $570,00 for Ms. Hemmeter and Mr. Skinner, respectively, and the amounts received for the acceleration of RSUs would have been $2,694,592 and $448,075 for Ms. Hemmeter and Mr. Skinner, respectively. Therefore total compensation would have been $4,010,820 and $1,200,469 for Ms. Hemmeter and Mr. Skinner, respectively.

Policies and Procedures with Respect to Related Party Transactions

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

Certain Relationships and Related Transactions

Apio sells products to and earns license fees from Windset Holdings 2010 Ltd., a Canadian corporation ("***Windset***"). Apio holds a 26.9% equity interest in Windset. During fiscal year 2017, Apio recognized $514,000 of revenues from Windset.

Additionally, unrelated to the revenue transactions above, Apio purchases produce from Windset for sale to third parties. During fiscal year 2017, Apio purchased $22,000 of produce from Windset.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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

To the Company's knowledge, based solely upon review of the copies of such reports filed with the SEC and written representations that no other reports were required, during the fiscal year ended May 28, 2017 all Section 16(a) filing requirements applicable to the Company's officers, directors and holders of more than ten percent of the Company's Common Stock were satisfied.

OTHER MATTERS

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

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

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Geoffrey P. Leonard

GEOFFREY P. LEONARD
SECRETARY

Menlo Park, California
August 23, 2017

Appendix A

FIRST AMENDMENT

to the

LANDEC CORPORATION

2013 STOCK INCENTIVE PLAN

WHEREAS, Landec Corporation (the "Corporation") adopted the Landec Corporation 2013 Stock Incentive Plan (the "Plan"), effective October 10, 2013 (the "Effective Date"); and

WHEREAS, the Board of Directors has determined that it is in the best interests of the Corporation and its stockholders to amend the Plan to increase the number of shares of common stock available for issuance under the Plan by 1,000,000 shares from 2,000,000 to 3,000,000, subject to stockholder approval.

NOW THEREFORE, the Plan is hereby amended as follows:

1. Section 5.1 of the Plan is hereby deleted in its entirety and replaced with the following:

"5.1 Basic Limitation. The stock issuable under the Plan shall be authorized but unissued Shares. The aggregate number of Shares reserved for Awards under the Plan shall not exceed 3,000,000 Shares, subject to adjustment pursuant to Section 10. For sake of clarity, all Shares issued and issuable pursuant to any Awards granted under the Plan on or after the Effective Date shall count against the 3,000,000 Share limit. The aggregate maximum number of Shares that may be issued in connection with ISOs shall be 3,000,000 Shares."

2. This Amendment shall become effective upon stockholder approval. Except as amended herein, the terms of the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned has executed this First Amendment to the Landec Corporation 2013 Stock Incentive Plan on August 23, 2017, to become effective upon stockholder approval of this Amendment.

LANDEC CORPORATION

By: /s/ Molly A. Hemmeter
Name: Molly A. Hemmeter
Title: President and Chief Executive Officer

LANDEC CORPORATION
2013 STOCK INCENTIVE PLAN

SECTION 1. INTRODUCTION.

1.1 The Landec Corporation 2013 Stock Incentive Plan will be effective (the "Effective Date") upon its approval by an affirmative vote of the holders of a majority of the Shares that are present in person or by proxy and entitled to vote at the 2013 Annual Meeting of Stockholders of the Company. The Plan shall supersede the Existing Equity Plan effective as of the Effective Date such that no further awards shall be made under the Existing Equity Plan on or after such date. However, this Plan shall not, in any way, affect awards under the Existing Equity Plan that are outstanding as of the Effective Date. If the Company's stockholders do not approve this Plan, no Awards will be made under this Plan and the Existing Equity Plan will continue in effect in accordance with its terms.

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

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

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

SECTION 2. DEFINITIONS.

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

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

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

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

2.5 "Cause" means, except as may otherwise be provided in a Participant's employment agreement or Award agreement to the extent such agreement is in effect at the relevant time, any of the following events: (i) Participant's willful failure substantially to perform his or her duties and responsibilities to the Company or deliberate violation of a Company policy; (ii) Participant's commission of any act of fraud, embezzlement, dishonesty or any other willful misconduct that has caused or is reasonably expected to result in material injury to the Company; (iii) unauthorized use or disclosure by Participant of any proprietary information or trade secrets of the Company or any other party to whom the Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company; or (iv) Participant's willful breach of any of his or her obligations under any written agreement or covenant with the Company. The determination as to whether a Participant is being terminated for Cause shall be made in good faith by the Company and shall be conclusive and binding on the Participant. The foregoing definition does not in any way limit the Company's ability to terminate a Participant's Service at any time as provided in Section 12(a), and the term "Company" will be interpreted to include any Subsidiary, Parent, Affiliate, or any successor thereto, if appropriate.

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

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

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

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

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

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

2.11 "Consultant" means an individual who provides bona fide services to the Company, a Parent, a Subsidiary or an Affiliate, other than as an Employee or Director or Non-Employee Director.

2.12 "Covered Employees" means those persons who are subject to the limitations of Section 162(m) of the Code.

2.13 "Covered Transaction" means any of a consolidation, merger, or similar transaction or series of related transactions, including a sale or other disposition of stock, in which the Company is not the surviving corporation or which results in the acquisition of all or substantially all of the Company's then outstanding common stock by a single person or entity or by a group of persons and/or entities acting in concert. Where a Covered Transaction involves a tender offer that is reasonably expected to be followed by a merger described herein (as determined by the Committee), the Covered Transaction will be deemed to have occurred upon consummation of the tender offer.

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

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

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

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

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

2.19 "Existing Equity Plan" means the Company's 2009 Stock Incentive Plan.

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

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

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

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

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

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

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

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

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

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

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

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

2.31 "Performance Goals" means one or more objective measurable performance factors as determined by the Committee with respect to each Performance Period based upon one or more factors (measured either absolutely or by reference to an index or indices and determined either on a consolidated basis or, as the context permits, on a Parent, Company, Affiliate, Subsidiary, divisional, line of business, unit, project or geographical basis or in combinations thereof), including, but not limited to: (i) operating income; (ii) earnings before interest, taxes, depreciation and amortization ("EBITDA"); (iii) earnings; (iv) cash flow; (v) market share; (vi) sales or revenue; (vii) expenses; (viii) cost of goods sold; (ix) profit/loss or profit margin; (x) working capital; (xi) return on equity or assets; (xii) earnings per share; (xiii) economic value added ("EVA"); (xiv) price/earnings ratio; (xv) debt or debt-to-equity; (xvi) accounts receivable; (xvii) writeoffs; (xviii) cash; (xix) assets; (xx) liquidity; (xxi) operations; (xxii) intellectual property (e.g., patents); (xxiii) product development; (xxiv) regulatory activity; (xxv) manufacturing, production or inventory; (xxvi) mergers and acquisitions or divestitures; and/or (xxvii) financings or refinancings. Awards issued to persons who are not Covered Employees may take into account other factors. To the extent consistent with the requirements for satisfying the performance-based compensation exception under Section 162(m) of the Code, the Committee may provide in the case of any Award intended to qualify for such exception that one or more of the Performance Goals applicable to such Award will be adjusted in an objectively determinable manner to reflect events (for example, but without limitation, acquisitions or dispositions) occurring during the Performance Period that affect the applicable Performance Goals.

2.32 “Performance Period” means any period not exceeding 36 months as determined by the Committee, in its sole discretion. The Committee may establish different Performance Periods for different Participants, and the Committee may establish concurrent or overlapping Performance Periods.

2.33 “Plan” means this Landec Corporation 2013 Stock Incentive Plan, as it may be amended from time to time.

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

2.35 “SAR Agreement” means the agreement described in Section 7 evidencing each Award of a Stock Appreciation Right.

2.36 “SEC” means the Securities and Exchange Commission.

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

2.38 “Securities Act” means the Securities Act of 1933, as amended.

2.39 “Service” means service as an Employee, Director, Non-Employee Director or Consultant. A Participant’s Service does not terminate if he or she is an Employee and goes on a bona fide leave of absence that was approved by the Company in writing and the terms of the leave provide for continued service crediting, or when continued service crediting is required by applicable law. However, for purposes of determining whether an Option is entitled to continuing ISO status, an Employee’s Service will be treated as terminating 90 days after such Employee went on leave, unless such Employee’s right to return to active work is guaranteed by law or by a contract. Service terminates in any event when the approved leave ends, unless such Employee immediately returns to active work. The Committee determines which leaves count toward Service, and when Service terminates for all purposes under the Plan. Further, unless otherwise determined by the Committee, a Participant’s Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant provides service to the Company, a Parent, Subsidiary or Affiliate, or a transfer between entities (the Company or any Parent, Subsidiary, or Affiliate); except that, for purposes of Section 4(g)(i) only, a Participant’s Service shall be deemed to terminate if he or she is an Employee and thereafter becomes a Consultant but, for the avoidance of doubt, a Participant’s Service shall not be deemed to terminate if he or she is an Employee and thereafter remains or becomes a Non-Employee Director (even if the Participant is also a Consultant) (it being understood that any post-termination exercise period set forth in Section 4(g)(iii) or (iv) shall commence when the Participant ceases to provide Service in any capacity listed herein); provided, however, in all cases that there is no interruption or other termination of Service.

2.40 “Share” means one share of Common Stock.

2.41 “Stock Appreciation Right” or “SAR” means a stock appreciation right awarded under the Plan.

2.42 “Stock Grant” means Shares awarded under the Plan.

2.43 “Stock Grant Agreement” means the agreement described in Section 8 evidencing each Award of a Stock Grant.

2.44 “Stock Option Agreement” means the agreement described in Section 6 evidencing each Award of an Option.

2.45 “Stock Unit” means a bookkeeping entry representing the equivalent of one Share, as awarded under the Plan.

2.46 “Stock Unit Agreement” means the agreement described in Section 9 evidencing each Award of a Stock Unit.

2.47 “Subsidiary” means any corporation (other than the Company) or other entity in a chain of corporations or other entities in which each corporation or other entity has a controlling interest in another corporation or other entity in the chain, beginning with the Company and ending with such corporation or other entity. For purposes of the preceding sentence, except as the Committee may otherwise determine subject to the requirements of Treas. Reg. §1.409A-1(b)(5)(iii)(E)(1), the term “controlling interest” has the same meaning as provided in Treas. Reg. §1.414(c)-2(b)(2)(i), provided that the words “at least 50 percent” are used instead of the words “at least 80 percent” each place such words appear in Treas. Reg. §1.414(c)-2(b)(2)(i). The Company may at any time by amendment provide that different ownership thresholds (consistent with Section 409A of the Code) apply but any such change shall not be effective for twelve (12) months. A corporation or other entity that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

2.48 "10-Percent Stockholder" means an individual who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company, its Parent or any of its Subsidiaries. In determining stock ownership, the attribution rules of Section 424(d) of the Code shall be applied.

SECTION 3. ADMINISTRATION.

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

(1) The Committee shall have membership composition which enables it to make (i) awards to Section 16 Persons to qualify as exempt from liability under Section 16(b) of the Exchange Act and (ii) awards to Covered Employees to qualify as performance-based compensation as provided under Section 162(m) of the Code.

(2) The Board may also appoint one or more separate committees of the Board, each composed of two or more directors of the Company who need not qualify under Rule 16b-3 or Section 162(m) of the Code, that may administer the Plan with respect to Key Service Providers who are not Section 16 Persons or Covered Employees, respectively, may grant Awards under the Plan to such Key Service Providers and may determine all terms of such Awards.

(3) Notwithstanding the foregoing, the Board shall constitute the Committee and shall administer the Plan with respect to all Awards granted to Non-Employee Directors.

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

The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. In the case of any Award intended to be eligible for the performance-based compensation exception under Section 162(m) of the Code, the Committee will exercise its discretion consistent with qualifying the Award from that exception. The Committee's determinations under the Plan shall be final and binding on all persons.

The Committee may delegate (i) to one or more officers of the Company the power to grant Awards to the extent permitted by Section 157(c) of the Delaware General Corporation Law; and (ii) to such Employees or other persons as it determines such ministerial tasks as it deems appropriate. In the event of any delegation described in the preceding sentence, the term "Committee" will include the person or persons so delegated to the extent of such delegation.

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

Proxy Statement

SECTION 4. <u>GENERAL.</u>

4.1 General Eligibility. Only Employees, Directors, Non-Employee Directors and Consultants shall be eligible to participate in the Plan. Eligibility shall be further limited, subject to such express exceptions, if any, as the Committee may establish, to those persons as to whom the use of a Form S-8 registration statement is permissible.

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

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

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

4.5 Performance Conditions. The Committee may, in its discretion, include performance conditions in an Award. If performance conditions are included in Awards to Covered Employees, then such Awards will be subject to the achievement of Performance Goals established by the Committee. Such Performance Goals shall be established and administered pursuant to the requirements of Section 162(m) of the Code. Before any Shares underlying an Award or any Award payments are released to a Covered Employee with respect to a Performance Period, the Committee shall certify in writing that the Performance Goals for such Performance Period have been satisfied. Awards with performance conditions that are granted to Key Service Providers who are not Covered Employees need not comply with the requirements of Section 162(m) of the Code.

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

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

4.8 Coordination with Other Plans. Awards under the Plan may be granted in tandem with, or in satisfaction of or substitution for, other Awards under the Plan or awards made under other compensatory plans or programs of the Company or its Subsidiaries or Affiliates. For example, but without limiting the generality of the foregoing, awards under other compensatory plans or programs of the Company or its Subsidiaries or Affiliates may be settled in Shares if the Committee so determines, in which case the shares delivered will be treated as awarded under the Plan (and will reduce the number of shares thereafter available under the Plan in accordance with the rules set forth in Section 5). In any case where an award is made under another plan or program of the Company or its Subsidiaries or Affiliates and such award is intended to qualify for the performance-based compensation exception under Section 162(m), and such award is settled by the delivery of Shares or another Award under the Plan, the applicable Section 162(m) limitations under both the other plan or program and under the Plan will be applied to the Plan as necessary (as determined by the Committee) to preserve the availability of the Section 162(m) performance-based compensation exception with respect thereto.

SECTION 5. SHARES SUBJECT TO PLAN AND SHARE LIMITS.

5.1 Basic Limitation. The stock issuable under the Plan shall be authorized but unissued Shares. The aggregate number of Shares reserved for Awards under the Plan shall not exceed 2,000,000 Shares, subject to adjustment pursuant to Section 10. The aggregate maximum number of Shares that may be issued in connection with ISOs shall be 2,000,000 Shares.

5.2 Additional Shares. If Awards are forfeited or are terminated for any reason before being exercised or becoming vested or if the Awards are settled in cash, then the Shares underlying such Awards shall again become available for Awards under the Plan. SARs to be settled in Shares shall be counted in full against the number of Shares available for issuance under the Plan, regardless of the number of Shares issued upon settlement of the SARs. Any shares withheld from an Award to satisfy the tax withholding obligations with respect to such Award or in payment of the Exercise Price of an Award requiring exercise shall not again be available for issuance under the Plan.

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

5.4 Share Limits.

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

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

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

(d) Limits on Awards to Non-Employee Directors. Notwithstanding subsections (i), (ii) or (iii) above, no Non-Employee Directors shall receive Awards during any Fiscal Year covering, in the aggregate, in excess of 30,000 Shares.

(e) The foregoing share limits will be construed in a manner consistent with Section 162(m) of the Code, including, without limitation, where applicable, the rules under Section 162(m) pertaining to permissible deferrals of exempt awards.

SECTION 6. TERMS AND CONDITIONS OF OPTIONS.

6.1 Stock Option Agreement. Each Grant of an Option under the Plan shall be evidenced and governed exclusively by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan and that the Committee deems appropriate for inclusion in a Stock Option Agreement (including without limitation any performance conditions). The provisions of the various Stock Option Agreements entered into under the Plan need not be identical. The Stock Option Agreement shall also specify whether the Option is an ISO or an NSO.

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

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

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

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

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

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

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

In the case of an ISO granted under the Plan, payment shall be made only pursuant to the express provisions of the applicable Stock Option Agreement. The Stock Option Agreement may specify that payment may be made in any form(s) described in this Section 6(e). In the case of an NSO granted under the Plan, the Committee may, in its discretion at any time, accept payment in any form(s) described in this Section 6(e).

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

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

SECTION 7. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS.

7.1 SAR Agreement. Each Award of a SAR under the Plan shall be evidenced by a SAR Agreement between the Participant and the Company. Such SAR shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan (including without limitation any performance conditions). A SAR Agreement may provide for a maximum limit on the amount of any payout notwithstanding the Fair Market Value on the date of exercise of the SAR. The provisions of the various SAR Agreements entered into under the Plan need not be identical. SARs may be granted in consideration of a reduction in the Participant's compensation.

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

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

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

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

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

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

SECTION 8. TERMS AND CONDITIONS FOR STOCK GRANTS.

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

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

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

8.4 Vesting Conditions. Each Stock Grant may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Stock Grant Agreement which may include Performance Goals pursuant to Section 4(e). A Stock Grant Agreement may provide for accelerated vesting in the event of the Participant's death, Disability, or other events.

8.5 Assignment or Transfer of Stock Grants. Except as provided in the applicable Stock Grant Agreement and then only to the extent permitted by applicable law, a Stock Grant awarded under the Plan shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily, involuntarily or by operation of law. Any act in violation of this Section 8(e) shall be void. However, this Section 8(e) shall not preclude a Participant from designating a beneficiary who will receive any vested outstanding Stock Grant Awards in the event of the Participant's death, nor shall it preclude a transfer of vested Stock Grant Awards by will or by the laws of descent and distribution.

8.6 Voting and Dividend Rights. The holder of a Stock Grant awarded under the Plan shall have the same voting, dividend and other rights as the Company's other stockholders. A Stock Grant Agreement, however, may require that the holder of such Stock Grant invest any cash dividends received in additional Shares subject to the Stock Grant. Such additional Shares subject to the Stock Grant shall be subject to the same conditions and restrictions as the Stock Grant with respect to which the dividends were paid. Such additional Shares subject to the Stock Grant shall not reduce the number of Shares available for issuance under Section 5.

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

SECTION 9. <u>TERMS AND CONDITIONS OF STOCK UNITS.</u>

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

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

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

9.4 Vesting Conditions. Each Award of Stock Units may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Stock Unit Agreement which may include Performance Goals pursuant to Section 4(e). A Stock Unit Agreement may provide for accelerated vesting in the event of the Participant's death, Disability, or other events.

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

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

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

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

9.9 Assignment or Transfer of Stock Units. Except as provided in the applicable Stock Unit Agreement and then only to the extent permitted by applicable law, Stock Units shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily, involuntarily or by operation of law. Any act in violation of this Section 9(i) shall be void. However, this Section 9(i) shall not preclude a Participant from designating a beneficiary who will receive any outstanding vested Stock Units in the event of the Participant's death, nor shall it preclude a transfer of vested Stock Units by will or by the laws of descent and distribution.

SECTION 10. <u>PROTECTION AGAINST DILUTION.</u>

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

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

10.2 Certain Other Adjustments. The Committee may also make adjustments of the type described in Section 10(a) above to take into account distributions to stockholders other than those provided for in Section 10(a), including, without limitation, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the price of Shares or any other event, if the Committee determines that adjustments are appropriate to avoid distortion in the operation of the Plan and to preserve the value of Awards made hereunder, having due regard for the qualification of ISOs under Section 422 of the Code, the requirements of Section 409A of the Code, and for the performance-based compensation rules of Section 162(m) of the Code, where applicable.

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

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

SECTION 11. <u>EFFECT OF A CHANGE IN CONTROL.</u>

11.1 Change in Control. In the event of a Change in Control, the Committee may provide for the assumption or substitution of some or all outstanding Awards or any portion thereof by the surviving corporation or its parent, for the continuation of some or all outstanding Awards or any portion thereof by the Company (if the Company is a surviving corporation), for accelerated vesting of some or all outstanding Awards or any portion thereof or for a payment (a "cash-out") with respect to some or all Awards or any portion thereof, equal in the case of each affected Award or portion thereof to the excess, if any, of (i) the fair market value of one Share, as determined by the Committee, times the number of Shares subject to the Award or such portion, over (ii) the aggregate Exercise Price or purchase price, if any, under the Award or such portion, in all cases without the consent of the Participant. Except as the Committee may otherwise determine in any case, each Award will automatically terminate (and in the case of Stock Grants, will be automatically forfeited) upon consummation of a Change in Control, other than Awards assumed or substituted for as provided for herein.

11.2 Acceleration. In the event that a Change in Control occurs with respect to the Company and there is no assumption, substitution or continuation of outstanding Options, SARs or Stock Units pursuant to Section 11(a), the Committee may determine, in its sole discretion, that all such outstanding Options, SARs and Stock Units shall fully vest and be fully exercisable immediately prior to such Change in Control. The Committee may determine, at the time of granting an Award or thereafter, that such Award shall become fully vested as to all Shares subject to such Award in the event that a Change in Control occurs with respect to the Company. To the extent acceleration pursuant to this Section 10(b) of an Award subject to Section 409A of the Code would cause the Award to fail to satisfy the requirements of Section 409A of the Code, the Award shall not be accelerated and the Committee in lieu thereof shall take such steps as are necessary to ensure that payment of the Award is made in a medium other than Shares and on terms that as nearly as possible, but taking into account adjustments required or permitted by this Section 10, replicate the prior terms of the Award.

11.3 Additional Limitations: Any Shares and any cash or other property delivered pursuant to Section 10(b) above with respect to an Award may, in the discretion of the Committee, contain such restrictions, if any, as the Committee deems appropriate to reflect any performance or other vesting conditions to which the Award was subject and that did not lapse (and were not satisfied) in connection with the Change in Control. In the case of Stock Grants that do not vest in connection with the Change in Control, the Committee may require that any amounts delivered, exchanged or otherwise paid in respect of such Stock Grants in connection with the Change in Control be placed in escrow or otherwise made subject to such restrictions as the Committee deems appropriate to carry out the intent of the Plan.

11.4 Dissolution. To the extent not previously exercised or settled, Options, SARs and Stock Units shall terminate immediately prior to the dissolution or liquidation of the Company.

11.5 Covered Transactions. In the event of a Covered Transaction that does not constitute a Change in Control, the Committee may take any of the actions contemplated by subsection (a) or (b) above and the provisions of subsection (c) shall also apply. Except as the Committee may otherwise determine in any case, each Award will automatically terminate (and in the case of Stock Grants, will be automatically forfeited) upon consummation of a Covered Transaction that does not constitute a Change in Control, other than Awards assumed as provided for herein.

SECTION 12. <u>LIMITATIONS ON RIGHTS.</u>

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

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

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

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

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

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

SECTION 13. <u>WITHHOLDING TAXES.</u>

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

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

SECTION 14. DURATION AND AMENDMENTS.

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

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

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

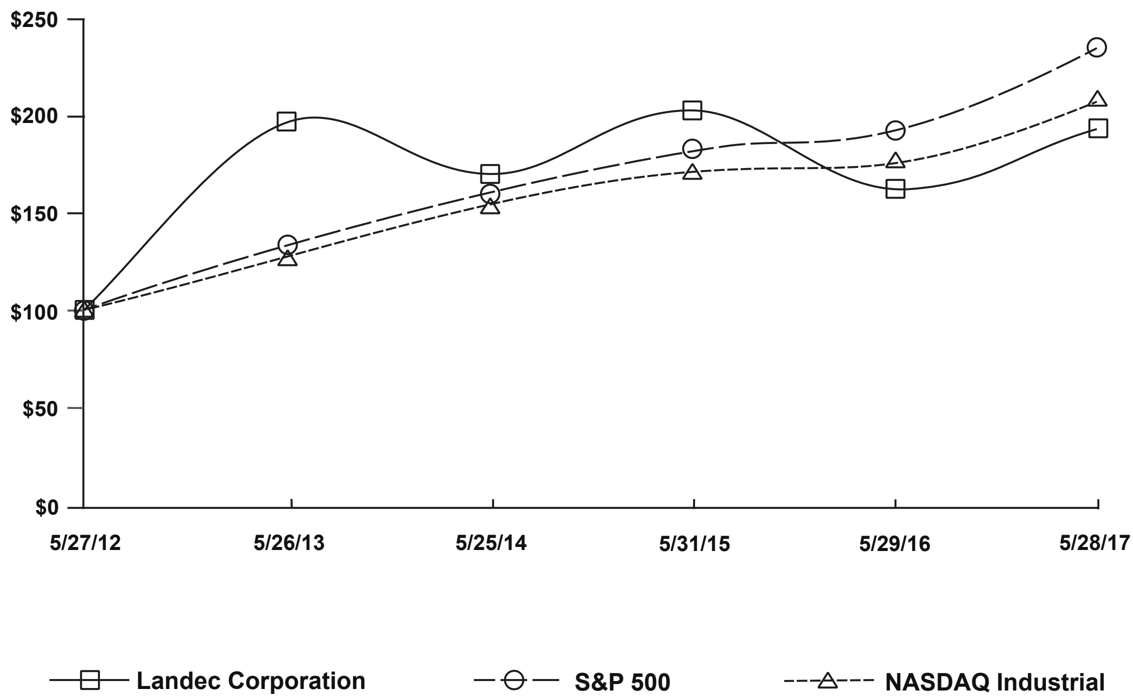
SECTION 15. WAIVER OF JURY TRIAL

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

The graph below matches Landec Corporation's cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the S&P 500 index and the NASDAQ Industrial index. The graph tracks the performance of a $100 investment in our common stock and in each index (with the reinvestment of all dividends) from 5/27/2012 to 5/28/2017.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

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



*$100 invested on 5/27/12 in stock or 5/31/12 in index, including reinvestment of dividends.
Indexes calculated on month-end basis.

	5/27/12	5/26/13	5/25/14	5/31/15	5/29/16	5/28/17
Landec Corporation	100.00	196.32	169.87	202.12	162.09	193.07
S&P 500	100.00	127.28	153.30	171.40	174.34	204.79
NASDAQ Industrial	100.00	132.49	159.28	182.47	191.57	234.52

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

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

FORM 10-K/A
(Amendment No. 1)

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

For the Fiscal Year Ended May 28, 2017, or

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

For the Transition period for _________ to _________.

Commission file number: **0-27446**

LANDEC CORPORATION

(Exact name of registrant as specified in its charter)

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

3603 Haven Avenue
Menlo Park, California 94025
(Address of principal executive offices)

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

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

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

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

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

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

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

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

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

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

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

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

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

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $297,199,000 as of November 25, 2016, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sales price on The NASDAQ Global Select Market reported for such date. Shares of Common Stock held by each officer and director and by each person who owns 10% or more of the outstanding Common Stock have been excluded from such calculation in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of July 24, 2017, there were 27,506,712 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its October 2017 Annual Meeting of Stockholders which statement will be filed not later than 120 days after the end of the fiscal year covered by this report, are incorporated by reference in Part III hereof.

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Explanatory Note

We are filing this Amendment No. 1 ("Amendment No. 1") to our Annual Report on Form 10-K for the fiscal year ended May 28, 2017, as filed with the Securities and Exchange Commission (the "SEC") on August 10, 2017 (the "Original Form 10-K"), to correct a typographical error in the date of Ernst & Young LLP's Report of Independent Registered Public Accounting Firm contained in the Original Form 10-K (the "Opinion"). The Opinion incorrectly referenced the date of the Opinion as July 27, 2017. The correct date of the Opinion in the Original Form 10-K is August 10, 2017. A new opinion with the correct date is filed as an exhibit attached hereto.

Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), this Amendment No. 1 also contains new certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, which are attached hereto. Because no financial statements have been included in this Amendment No. 1 and this Amendment No. 1 does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K under the Exchange Act, paragraphs 3, 4 and 5 of the certifications have been omitted. Pursuant to Rule 13a-14 under the Exchange Act, this Amendment No. 1 also contains new certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, which are attached hereto.

Other than this date correction to the Opinion, no other changes have been made to the Original Form 10-K. This Amendment No. 1 does not reflect subsequent events occurring after the original filing date of the Original Form 10-K or modify or update in any way disclosures made in the Original Form 10-K. This Amendment No. 1 should be read in conjunction with the Original Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of the report:

Exhibits: The exhibits, listed on the accompanying exhibit index that is set forth after the signature page, are filed or furnished as part of this Amendment No. 1.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Amendment No. 1 to be signed on its behalf by the undersigned, thereunto duly authorized.

LANDEC CORPORATION

By: /s/ Gregory Skinner
Name: Gregory S. Skinner
Title: *Vice President of Finance and Chief Financial Officer*

INDEX TO EXHIBITS

*23**	*Consent of Independent Registered Public Accounting Firm*
*31.1**	*Certification by CEO pursuant to Rule 13A-14(a) or 15D-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 **
*31.2**	*Certification by CFO pursuant to Rule 13A-14(a) or 15D-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 **
*32.1**	*Certification by CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **
*32.2**	*Certification by CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **

**Exhibit filed or furnished with this report*

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended May 28, 2017, or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition period for _________ to _________.

Commission file number: **0-27446**

LANDEC CORPORATION

(Exact name of registrant as specified in its charter)

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

3603 Haven Avenue
Menlo Park, California 94025
(Address of principal executive offices)

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

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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 _X_
Non-accelerated filer ___	(Do not check if a smaller reporting company)
Emerging growth company ___	Smaller reporting company ___

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

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

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $297,199,000 as of November 25, 2016, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sales price on The NASDAQ Global Select Market reported for such date. Shares of Common Stock held by each officer and director and by each person who owns 10% or more of the outstanding Common Stock have been excluded from such calculation in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of July 24, 2017, there were 27,506,712 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its October 2017 Annual Meeting of Stockholders which statement will be filed not later than 120 days after the end of the fiscal year covered by this report, are incorporated by reference in Part III hereof.

Financials

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LANDEC CORPORATION
ANNUAL REPORT ON FORM 10-K

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PART I

Item 1. *Business*

This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Words such as “projected,” “expects,” “believes,” “intends,” “assumes” and similar expressions are used to identify forward-looking statements. These statements are made based upon current expectations and projections about our business and assumptions made by our management and are not guarantees of future performance, nor do we assume any obligation to update such forward-looking statements after the date this report is filed. Our actual results could differ materially from those projected in the forward-looking statements for many reasons, including the risk factors listed in Item 1A. “Risk Factors” and the factors discussed below.

Corporate Overview

Landec Corporation and its subsidiaries (“Landec” or the “Company”) design, develop, manufacture and sell differentiated health and wellness products for food and biomaterials markets. There continues to be a dramatic shift in consumer behavior to healthier eating habits and preventive wellness to improve quality of life. In our Apio, Inc. (“Apio”) Packaged Fresh Vegetable business, we are committed to offering healthy, fresh produce products conveniently packaged to consumers. Apio also exports whole fruit and vegetables, predominantly to Asia through its subsidiary, Cal-Ex Trading Company (“Cal-Ex”). In our Lifecore Biomedical, Inc. (“Lifecore”) biomaterials business, we commercialize products that enable people to stay more active as they grow older. In our new O Olive Oil, Inc. (“O Olive”) business acquired on March 1, 2017, we sell premium California sourced specialty olive oils and wine vinegar products.

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

Landec has three operating segments – Packaged Fresh Vegetables, Food Export and Biomaterials, each of which is described below. The results of the recently acquired O Olive business are included in the Other segment in fiscal year 2017 because they are not significant to Landec’s overall results for fiscal year 2017. Financial information concerning each of these segments for fiscal years 2017, 2016, and 2015 is summarized in Note 11 – Business Segment Reporting.

Apio operates the Packaged Fresh Vegetables business, which combines our proprietary BreatheWay® food packaging technology with the capabilities of a large national food supplier and value-added produce processor which sells products under the Eat Smart® brand to consumers and the GreenLine® brand to foodservice operators, as well as under private labels. In Apio’s Packaged Fresh Vegetables operations, produce is processed by trimming, washing, sorting, blending, and packaging into bags and trays that in most cases incorporate Landec’s BreatheWay membrane technology. The BreatheWay membrane increases shelf-life and reduces shrink (waste) for retailers and helps to ensure that consumers receive fresh produce by the time the product makes its way through the distribution chain. Apio also generates revenue from the sale and/or use of its BreatheWay technology by partners such as Chiquita Brands International, Inc. (“Chiquita”) for packaging and distribution of bananas and berries and Windset Holding 2010 Ltd., a Canadian corporation (“Windset”), for packaging of greenhouse grown cucumbers and peppers, and to Juicero, Inc. (“Juicero”) innovator of the first in-home cold-press fruit and vegetable juicing system. Juicero is using BreatheWay membranes to extend the shelf-life of packets of fresh fruit and vegetables.

Apio also operates the Food Export business. The Food Export business purchases and sells whole fruit and vegetable commodities predominantly to Asian markets.

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

O Olive was acquired on March 1, 2017. O Olive, founded in 1995, is based in Petaluma, California, and is the premier producer of California specialty olive oils and wine vinegars. Its products are sold in over 4,600 natural food, conventional grocery and mass retail stores, primarily in the United States and Canada.

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

Technology Overview

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

A) Intelimer Polymers

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

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

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

BreatheWay Membrane Packaging

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

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

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

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

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

B) Sodium Hyaluronate (HA)

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

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

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

Description of Business Segments

In this Description of Business Segments section, "Apio" and the "Packaged Fresh Vegetables business" will be used interchangeably; however, when describing Apio's export business it will be referred to as the "Food Export business".

A) Packaged Fresh Vegetables Business

The Packaged Fresh Vegetables business had revenues of $408 million for the fiscal year ended May 28, 2017, $424 million for the fiscal year ended May 29, 2016, and $430 million for the fiscal year ended May 31, 2015.

Based in Guadalupe, California, Apio's primary business is fresh-cut and whole vegetable products typically packaged in our proprietary BreatheWay packaging. Apio's Packaged Fresh Vegetables business markets a variety of fresh-cut and whole vegetables and salad kit products to retail grocery chains, club stores and food service operators. During the fiscal year ended May 28, 2017, Apio shipped approximately 26 million cartons of produce to its customers throughout North America, primarily in the United States.

Most vegetable products packaged in our BreatheWay packaging have approximately a 17 day shelf-life. In addition to packaging innovation, Apio has developed innovative blends and combinations of vegetables that are sold in flexible film bags or rigid trays. More recently, Apio has launched a family of salad kits, salad blends and single serve salads that are comprised of "superfood" mixtures of vegetables with healthy toppings and dressings. The first salad kit to launch under our Eat Smart brand was Sweet Kale Salad, which now has wide distribution throughout club and retail stores in North America. Overall, we are currently selling under our Eat Smart brand 6 salad kits, 3 salad blends and 3 single serve salads. The Company's expertise includes accessing leading culinary experts and nutritionists nationally to help in the new product development process. We believe that our new products are "on trend" and strong market acceptance supports this belief. Recent statistics show that more than two-thirds of adults are considered to be overweight or obese and more than one-third of adults are considered to be obese. More and more consumers are beginning to make better food choices in their schools, homes and in restaurants and that is where our superfood products can fit into consumers' daily healthy food choices.

In addition to proprietary packaging technology and a strong new product development pipeline, the Company has strong channels of distribution throughout North America with retail grocery store chains and club stores. Landec has one or more of its products in approximately 60% of all retail and club store sites in North America giving us a strong platform for introducing new products. The Company believes it will have growth opportunities for the next several years through new customers, the introduction of innovative products and expansion of its existing customer relationships.

The Company sells its products under its nationally-known brand Eat Smart to retail and club and its GreenLine brand to foodservice operators. The Company also periodically licenses its BreatheWay packaging technology to partners. These packaging license relationships generate revenues either from product sales or royalties once commercialized. The Company is engaged in the testing and development of other fruits and vegetables that can benefit from the Company's BreatheWay technology. Landec manufactures its BreatheWay packaging through selected qualified contract manufacturers.

Apio Business Model

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

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

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

Expanded Product Line Using Technology and Unique Blends: Apio, through the use of its BreatheWay packaging technology, is introducing new packaged vegetable products each year. These new product offerings range from various sizes of fresh-cut bagged products, to vegetable trays, to whole produce, to vegetable salads and to snack packs. During the last twelve months, Apio has introduced twelve new unique products.

Products Currently in Approximately 60% of North American Retail Grocery Stores: Apio has products in approximately 60% of all North American retail grocery stores. This gives Apio the opportunity to sell new products to existing customers and to increase distribution of its approximately 120 unique products within those customers.

Windset

The Company believes that hydroponically-grown produce using Windset's know-how and growing practices will result in higher yields with competitive growing costs that will provide dependable year-round supply to Windset's customers. See Note 3 – Investment in Non-public Company for further information regarding the Company's investment in Windset. In addition, the produce grown in Windset's greenhouses uses significantly less water than field grown crops and has a very high safety profile as no soil is used in the growing process. Windset owns and operates greenhouses in British Columbia, Canada and in Nevada and California. In addition to growing produce in its own greenhouses, Windset has numerous marketing arrangements with other greenhouse growers and utilizes buy/sell arrangements to meet fluctuation in demand from their customers.

B) Food Export Business

Food Export revenues consist of revenues generated from the purchase and sale of primarily whole commodity fruit and vegetable products predominantly to Asia through Apio's export business, Cal-Ex. The Food Export business is a commission-based buy/sell business that typically realizes a gross margin in the 5-10% range.

The Food Export business had revenues of $62 million for the fiscal year ended May 28, 2017, $64 million for the fiscal year ended May 29, 2016, and $68 million for the fiscal year ended May 31, 2015.

Apio is strategically positioned with Cal-Ex to benefit from the growing population and wealth in Asia and other parts of the world over the next decade. Through Cal-Ex, Apio is currently one of the largest U.S. exporters of broccoli to Asia. Other large export items include apples, grapes, stonefruit and citrus.

C) Biomaterials Business

Our Biomaterials business operates through our Lifecore subsidiary. Lifecore had revenues of $59 million for the fiscal year ended May 28, 2017, $50 million for the fiscal year ended May 29, 2016, and $40 million for the fiscal year ended May 31, 2015.

Lifecore is involved in the manufacture of pharmaceutical-grade sodium hyaluronate in bulk form as well as formulated and filled syringes and vials for injectable products used in ophthalmologic, orthopedic and oncology applications. There is now a greater percentage of Americans age 65 and older than at any other time in U.S. history and currently over 46 million Americans are 65 years of age or older and this trend is expected to accelerate dramatically in the upcoming years. As our population ages, eye surgeries, such as cataract surgeries, will increase, and other patients will increasingly seek joint therapy as cartilage and soft tissue deteriorates. HA injections are a primary course of treatment for such conditions and Lifecore has built a leadership position in the markets it serves. The World Health Organization estimates that by 2020, 32 million cataract operations will be performed worldwide, up from 12 million in 2000. Lifecore's expertise includes its ability to ferment, separate, purify, and aseptically formulate and fill HA and other polymers for injectable product use. In addition to ophthalmic and orthopedic uses, there are other markets Lifecore serves including veterinary medicine oncology and drug delivery. Lifecore leverages its fermentation process to manufacture premium, pharmaceutical-grade HA and uses its aseptic filling capabilities to also deliver private-labeled HA finished products to its customers. Lifecore sells its products through partners in the U.S., Europe, Asia, Australia, Canada and South America. Lifecore has built its reputation as a premium supplier of HA and more recently as a specialty CDMO.

Lifecore's products are primarily sold to strategic marketing partners for use in three medical areas: (1) Ophthalmic, (2) Orthopedic and (3) Other/Non-HA products. In addition, Lifecore provides product development services to its partners for HA-based, as well as non-HA based, aseptically formulated and filled products. These services include activities such as technology transfer, material component changes, analytical method development, formulation development, pilot studies, stability studies, process validation, and production of materials for clinical studies.

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

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

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

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

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

***D) Oth*er**

Included in the Other business segment is Corporate and O Olive. The Company acquired O Olive on March 1, 2017. O Olive, founded in 1995, is based in Petaluma, California, and is the premier producer of California specialty olive oils and wine vinegars. Its products are sold in over 4,600 natural food, conventional grocery and mass retail stores, primarily in the United States and Canada. O Olive had revenues of $773,000 from the acquisition date through May 28, 2017.

Trademarks and Trade names

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

Sales and Marketing

Apio is supported by dedicated sales and marketing resources. Apio has 41 sales and marketing employees, located in central California and throughout the U.S., supporting the Packaged Fresh Vegetables business and the Food Export businesses. During fiscal years 2017, 2016, and 2015, sales to the Company's top five customers accounted for approximately 44%, 45%, and 46%, respectively, of its revenues. The Company's top two customers, both from the Packaged Fresh Vegetables segment, were Costco Wholesale Corporation ("Costco") which accounted for approximately 18%, 20%, and 21%, respectively, and Wal-mart, Inc. ("Wal-mart") which accounted for approximately 14%, 12%, and 11%, respectively, of the Company's revenues. A loss of either of these customers would have a material adverse effect on the Company's business.

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

Seasonality

Apio's sales are seasonal. The Packaged Fresh Vegetables business can be affected by seasonal weather factors, such as the high cost of sourcing product due to a shortage of essential produce items, which had a significant impact on the Company's results during fiscal year 2017 and 2016. The Food Export business also typically recognizes a much higher percentage of its revenues and profit during the first half of Landec's fiscal year compared to the second half. The Biomaterial's business is not significantly affected by seasonality.

Manufacturing and Processing

Packaged Fresh Vegetables Business

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

Apio processes its packaged fresh vegetable products in its processing facilities located in Guadalupe, California, Bowling Green, Ohio and Hanover, Pennsylvania. Cooling of produce is done through third parties and Apio Cooling, LP, a separate consolidated subsidiary in which Apio has a 60% ownership interest and is the general partner.

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

Biomaterials Business

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

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

Lifecore's facilities in Chaska, Minnesota are used primarily for the HA manufacturing process, formulation, aseptic syringe and vial filling, secondary packaging, warehousing raw materials and finished goods, and distribution. The Company believes that its current manufacturing capacity will be sufficient to allow it to meet the needs of its current customers for the foreseeable future.

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

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

O Olive Business

O Olive uses third parties to crush, process and bottle its olive oil products and to ferment and bottle its vinegar products.

General

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

Research and Development

Landec is focusing its research and development resources on both existing and new product applications. Expenditures for research and development for the fiscal years ended May 28, 2017, May 29, 2016, and May 31, 2015 were \$9.5 million, \$7.2 million, and \$7.0 million, respectively. Research and development expenditures funded by corporate or governmental partners were zero during fiscal years 2017, 2016, and 2015. The Company may seek funds for applied materials research programs from U.S. government agencies as well as from commercial entities. The Company anticipates that it will continue to incur significant research and development expenditures in order to maintain its competitive position with a continuing flow of innovative, high-quality products and services. As of May 28, 2017, Landec had 61 employees engaged in research and development with experience in polymer and analytical chemistry, product application, product formulation, and mechanical and chemical engineering.

Competition

The Company operates in highly competitive and rapidly evolving segments, and new developments are expected to continue at a rapid pace. Competition from large food processors, packaging companies, and medical and pharmaceutical companies is intense. Many of these competitors have substantially greater financial and technical resources and production and marketing capabilities than the Company, and many have substantially greater experience in conducting field trials, obtaining regulatory approvals and manufacturing and marketing commercial products. There can be no assurance that these competitors will not succeed in developing alternative technologies and products that are more effective, easier to use or less expensive than those which have been or are being developed by the Company or that would render the Company's technology and products obsolete and non-competitive.

Patents and Proprietary Rights

The Company's success depends in large part on its ability to obtain patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties. The Company has had 50 U.S. patents issued of which 30 remain active as of May 28, 2017 with expiration dates ranging from 2017 to 2031. There can be no assurance that any of the pending patent applications will be approved, that the Company will develop additional proprietary products that are patentable, that any patents issued to the Company will provide the Company with competitive advantages, will not be challenged by any third parties or that the patents of others will not prevent the commercialization of products incorporating the Company's technology. Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of the Company's products or design around the Company's patents. Any of the foregoing results could have a material adverse effect on the Company's business, operating results and financial condition.

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

Government Regulation

Government regulation in the United States and other countries is a significant factor in the marketing of certain of the Company’s products in the Company’s ongoing research and development activities and contract manufacturing activities. Under the Federal Food, Drug, and Cosmetic Act (“FDC Act”) the FDA regulates the clinical trials, manufacturing, labeling, distribution, sale and promotion of medical devices and drug products in the United States. Some of the Company’s and customers’ products are subject to extensive and rigorous regulation by the FDA, which regulates some of the products as medical devices and drug products, which in some cases, requires Pre-Market Approval (“PMA”), or New Drug Applications (“NDA”) and by foreign countries, which regulate some of the products as medical devices or drug products.

Other regulatory requirements are placed on the manufacture, processing, packaging, labeling, distribution, recordkeeping and reporting of a medical device or drug products and on the quality control procedures. For example, medical device manufacturing facilities are subject to periodic inspections by the FDA to assure compliance with device QSR requirements, along with pre-approval inspection for PMA and NDA product introduction. Lifecore’s facility is subject to inspections as both a device and a drug manufacturing operation. For PMA devices and NDA drug products, the company that owns the product submission is required to submit an annual report and also to obtain approval for modifications to the device, drug product or its labeling. Other applicable FDA requirements include the medical device reporting (“MDR”) regulation, which requires certain companies to provide information to the FDA regarding deaths or serious injuries alleged to have been associated with the use of its devices, as well as product malfunctions that would likely cause or contribute to death or serious injury if the malfunction were to recur.

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

Employees

As of May 28, 2017, Landec had 670 full-time employees, of whom 535 were dedicated to research, development, manufacturing, quality control and regulatory affairs, and 135 were dedicated to sales, marketing and administrative activities. Landec intends to recruit additional personnel in connection with the development, manufacturing and marketing of its products. None of Landec's employees are represented by a union, and Landec considers its relationship with its employees to be good.

Available Information

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

Item 1A. *Risk Factors*

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

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

Our Packaged Fresh Vegetables business is subject to weather conditions that affect commodity prices, crop quality and yields, and crop varieties to be planted. Crop diseases and severe conditions, particularly weather conditions such as unexpected or excessive rain or other precipitation, unseasonable temperature fluctuations, floods, droughts, frosts, windstorms, earthquakes and hurricanes, may adversely affect the supply of vegetables and fruits used in our business, which could reduce the sales volumes and/or increase the unit production costs. The Company experienced significant product sourcing issues in fiscal years 2017 and 2016 as a result of severe adverse weather conditions that materially adversely affected the Company's financial results. Because a significant portion of the costs are fixed and contracted in advance of each operating year, volume declines reflecting production interruptions or other factors could result in increases in unit production costs which could result in substantial losses and weaken our financial condition.

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

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

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

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

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

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

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

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

We May Be Exposed to Employment Related Claims and Costs that Could Materially Adversely Affect Our Business

We have been subject in the past, and may be in the future, to claims by employees based on allegations of discrimination, negligence, harassment and inadvertent employment of undocumented workers or unlicensed personnel, and we may be subject to payment of workers' compensation claims and other similar claims. We could incur substantial costs and our management could spend a significant amount of time responding to such complaints or litigation regarding employee claims, which may have a material adverse effect on our business, operating results and financial condition. In addition, several recent decisions by the United States NLRB have found companies which use contract employees could be found to be "joint employers" with the staffing firm. During fiscal year 2017, the Company settled a lawsuit in which it and Apio's labor contractor were named in several civil actions and administrative actions involving claims filed by current and past employees of Apio's labor contractor.

We Are Subject to Increasing Competition in the Marketplace

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

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

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

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

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

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

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

Any New Business Acquisition Will Involve Uncertainty Relating to Integration

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

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

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

Our Operations Are Subject to Regulations that Directly Impact Our Business

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

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

fines, injunctions, civil penalties, and suspensions,
withdrawal of regulatory approvals or registrations,
product recalls and product seizures, including cessation of manufacturing and sales,
operating restrictions, and
criminal prosecution.

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

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

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

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

In addition, most of the existing products being sold by Lifecore and its customers are subject to continued regulation by the FDA, various state agencies and foreign regulatory agencies which regulate manufacturing, labeling, distribution, and record keeping procedures for such products. Aseptic processing and shared equipment manufacturing require specific quality controls. If we fail to achieve and maintain these controls, we may have to recall product, or may have to reduce or suspend production while we address any deficiencies. Marketing clearances or approvals by regulatory agencies can be withdrawn due to failure to comply with regulatory standards or the occurrence of unforeseen problems following initial clearance or approval. These agencies can also limit or prevent the manufacture or distribution of Lifecore’s products. A determination that Lifecore is in violation of such regulations could lead to the issuance of adverse inspectional observations, a Warning

Letter, imposition of civil penalties, including fines, product recalls or product seizures, injunctions, and, in extreme cases, criminal sanctions.

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

We Depend on Strategic Partners and Licenses for Future Development

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

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

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

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

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

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

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

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

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

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

Our International Sales May Expose Our Business to Additional Risks

For fiscal year 2017, approximately 30% of our consolidated net revenues were derived from product sales to international customers. A number of risks are inherent in international transactions. International sales and operations may be limited or disrupted by any of the following:

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

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

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

During fiscal year 2017, sales to our top five customers accounted for approximately 44% of our revenues, with our two largest customers from our Packaged Fresh Vegetables segment, Costco and Wal-mart accounting for approximately 18% and 14%, respectively, of our revenues. We expect that, for the foreseeable future, a limited number of customers may continue to account for a substantial portion of our revenues. We may experience changes in the composition of our customer base as we have experienced in the past. The reduction, delay or cancellation of orders from one or more major customers for any reason or the loss of one or more of our major customers could materially and adversely affect our business, operating results and financial condition. In addition, since some of the products processed by Apio and Lifecore are sole sourced to customers, our operating results could be adversely affected if one or more of our major customers were to develop other sources of supply. Our current customers may not continue to place orders, orders by existing customers may be canceled or may not continue at the levels of previous periods or we may not be able to obtain orders from new customers.

Our Sale of Some Products May Expose Us to Product Liability Claims

The testing, manufacturing, marketing, and sale of the products we develop involve an inherent risk of allegations of product liability. If any of our products were determined or alleged to be contaminated or defective or to have caused a harmful accident to an end-customer, we could incur substantial costs in responding to complaints or litigation regarding our products and our product brand image could be materially damaged. Such events may have a material adverse effect on our business, operating results and financial condition. Although we have taken and intend to continue to take what we consider to be appropriate precautions to minimize exposure to product liability claims, we may not be able to avoid significant liability. We currently maintain product liability insurance. While we think the coverage and limits are consistent with industry standards, our coverage may not be adequate or may not continue to be available at an acceptable cost, if at all. A product liability claim, product recall or other claim with respect to uninsured liabilities or in excess of insured liabilities could have a material adverse effect on our business, operating results and financial condition.

Our Stock Price May Fluctuate in Response to Various Conditions, Many of Which Are Beyond Our Control

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

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

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

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

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

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

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

We Have Never Paid Any Dividends on Our Common Stock

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

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

None.

Item 2. *Properties*

As of May 28, 2017, the Company owned or leased properties in Menlo Park, Arroyo Grande, Petaluma, Santa Maria and Guadalupe, California; Chaska, Minnesota; Bowling Green and McClure, Ohio; Hanover, Pennsylvania; Vero Beach, Florida; Rock Hill, South Carolina and Rock Tavern, New York as described below.

Location	Business Segment	Ownership	Facilities	Acres of Land	Lease Expiration
Guadalupe, CA	Packaged Fresh Vegetables	Owned	199,000 square feet of office space, manufacturing and cold storage	25.2	—
Bowling Green, OH	Packaged Fresh Vegetables	Owned	55,900 square feet of office space, manufacturing and cold storage	7.7	—
Hanover, PA	Packaged Fresh Vegetables	Owned	64,000 square feet of office space, manufacturing and cold storage	15.3	—
Vero Beach, FL	Packaged Fresh Vegetables	Leased	9,200 square feet of office space, manufacturing and cold storage	—	12/31/17
Rock Hill, SC	Packaged Fresh Vegetables	Owned	16,400 square feet of cold storage and office space	3.6	—
Rock Tavern, NY	Packaged Fresh Vegetables	Leased	7,700 square feet of cold storage and office space	—	8/23/23
McClure, OH	Packaged Fresh Vegetables	Leased	Farm land	185	12/31/17
Guadalupe, CA	Packaged Fresh Vegetables	Leased	105,000 square feet of parking space	2.4	9/30/18
Guadalupe, CA	Packaged Fresh Vegetables	Leased	5,300 square feet of office space	—	5/31/18
Santa Maria, CA	Packaged Fresh Vegetables	Leased	36,300 square feet of office and laboratory space	—	3/31/30
Arroyo Grande, CA	Food Export	Leased	1,100 square feet of office space	—	Month-to-Month
Chaska, MN	Biomaterials	Owned	144,000 square feet of office, laboratory and manufacturing space	27.5	—
Chaska, MN	Biomaterials	Leased	65,000 square feet of office, manufacturing and warehouse space	—	12/31/22
Menlo Park, CA	Other	Leased	14,600 square feet of office and laboratory space	—	12/31/18
Petaluma, CA	Other	Leased	14,100 square feet of office and warehouse space	—	1/31/21

Item 3. *Legal Proceedings*

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

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

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

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

A settlement of the ULPs among the union, Apio, and Pacific Harvest that were pending before the NLRB was approved on December 27, 2016 for $310,000. Apio was responsible for half of this settlement, or $155,000. On May 5, 2017, the parties to the remaining actions executed a settlement agreement settling the discrimination/wrongful termination claims and the wage and hour claims which covers all non-exempt employees of Pacific Harvest working at Apio's Guadalupe, California processing facility from September 2011 through the settlement date. Under the settlement agreement, the plaintiffs are to be paid $6.0 million in three installments, $2.4 million of which was paid on July 3, 2017, with $1.8 million due in November 2017 and $1.8 million due in July 2018. The Company and Pacific Harvest have each agreed to pay one half of the settlement payments. The Company paid the entire first installment of $2.4 million on July 3, 2017 and will be reimbursed by Pacific Harvest for its $1.2 million portion through weekly payments until full paid. Based on our current agreement with Pacific Harvest, the Company will also pay the entire second installment of $1.8 million in November 2017, and will be reimbursed by Pacific Harvest as indicated above. The Company and Pacific Harvest will both make one half of the third installment in July 2018. The Company's recourse against non-payment by Pacific Harvest is its security interest in assets owned by Pacific Harvest.

During the twelve months ended May 28, 2017, the Company recorded a legal settlement charge of $2.6 million related to these actions. During the twelve months ended May 28, 2017 and May 29, 2016, the Company incurred legal expenses of $2.1 million and $542,000, respectively, related to these actions. As of May 28, 2017, the Company had accrued $3.2 million related to these actions, which is included in Other accrued liabilities in the accompanying Consolidated Balance Sheet.

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

Not applicable.

PART II

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

Market Information

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

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

Fiscal Year Ended May 29, 2016	High	Low
4th Quarter ended May 29, 2016	$ 11.81	$ 9.48
3rd Quarter ended February 28, 2016	$ 13.10	$ 10.38
2nd Quarter ended November 29, 2015	$ 13.45	$ 11.03
1st Quarter ended August 30, 2015	$ 14.98	$ 11.50

Holders

There were approximately 47 holders of record of 27,506,712 shares of outstanding Common Stock as of July 24, 2017. Since certain holders are listed under their brokerage firm's names, the actual number of stockholders is higher.

Dividends

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

Issuer Purchases of Equity Securities

There were no shares repurchased by its Company during fiscal years 2017 or 2016. The Company may still repurchase up to $3.8 million of the Company's Common Stock under the Company's stock repurchase plan announced on July 14, 2010.

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

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

	Year Ended				
	May 28, 2017	May 29, 2016	May 31, 2015	May 25, 2014	May 26, 2013
Statement of Income(Loss) Data: (In thousands, except per share amounts)					
Product sales	$ 532,257	$ 541,099	$ 539,257	$ 476,813	$ 441,708
Cost of product sales	449,071	470,142	473,850	414,249	378,948
Gross profit	83,186	70,957	65,407	62,564	62,760
Operating costs and expenses:					
Research and development	9,473	7,228	6,988	7,204	9,294
Selling, general and administrative	55,628	49,515	39,958	35,170	32,531
Other operating expenses/(income)	2,580	34,000	—	—	(3,933)
Total operating costs and expenses	67,681	90,743	46,946	42,374	37,892
Operating income (loss)	15,505	(19,786)	18,461	20,190	24,868
Dividend income	1,650	1,650	1,417	1,125	1,125
Interest income	16	71	315	260	179
Interest expense, net	(1,826)	(1,987)	(1,829)	(1,650)	(2,008)
Loss on debt refinancing	(1,233)	—	—	—	—
Other income	900	1,200	3,107	10,000	8,100
Net income (loss) before taxes	15,012	(18,852)	21,471	29,925	32,264
Income tax (expense) benefit	(4,335)	7,404	(7,746)	(10,583)	(9,452)
Consolidated net income (loss)	10,677	(11,448)	13,725	19,342	22,812
Non-controlling interest expense	(87)	(193)	(181)	(197)	(225)
Net income (loss) applicable to common stockholders	$ 10,590	$ (11,641)	$ 13,544	$ 19,145	$ 22,587
Basic net income (loss) per share	$ 0.39	$ (0.43)	$ 0.50	$ 0.72	$ 0.87
Diluted net income (loss) per share	$ 0.38	$ (0.43)	$ 0.50	$ 0.71	$ 0.85
Shares used in per share computation					
Basic	27,276	27,044	26,884	26,628	25,830
Diluted	27,652	27,044	27,336	27,120	26,626

	May 28, 2017	May 29, 2016	May 31, 2015	May 25, 2014	May 26, 2013
Balance Sheet Data: (in thousands)					
Cash and cash equivalents	$ 5,409	$ 9,894	$ 14,127	$ 14,243	$ 13,718
Total assets	358,608	342,653	346,465	313,623	290,942
Long-term debt, net	47,239	53,845	42,519	34,372	40,305
Retained earnings	84,470	73,457	85,098	71,554	52,409
Total stockholders' equity	$ 226,609	$ 210,728	$ 218,432	$ 203,069	$ 178,693

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

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

Overview

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

The Company has three operating segments – Packaged Fresh Vegetables, Food Export, and Biomaterials. The Packaged Fresh Vegetables segment combines the Company's BreatheWay packaging technology with Apio's branded Eat Smart and GreenLine and private label fresh-cut and whole produce business. The Food Export business is operated through Apio's Cal-Ex export company which purchases and sells whole fruit and vegetable products to predominantly Asian markets. The Biomaterials business sells products utilizing HA in the ophthalmic, orthopedic and veterinary segments and also supplies HA to customers pursuing other medical applications, such as aesthetic surgery, medical device coatings, tissue engineering and pharmaceuticals. In addition, Lifecore provides specialized aseptic fill and finish services in a cGMP validated manufacturing facility for supplying commercial, clinical and pre-clinical products. The results of the recently acquired O Olive business is included in the Other segment in fiscal year 2017 because they are not significant to the Company's overall results for fiscal year 2017. See "Business - Description of Business Segments".

As of May 28, 2017, the Company's retained earnings were $84.5 million. The Company may incur losses in the future. The amount of future net profits, if any, is uncertain and there can be no assurance that the Company will be able to sustain profitability in future years.

Critical Accounting Policies and Use of Estimates

Use of Estimates

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

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

Revenue Recognition

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

Goodwill and Other Intangibles

The Company's intangible assets are comprised of customer relationships with a finite estimated useful life of eleven to thirteen years, and trademarks, trade names and goodwill with indefinite lives (collectively, "intangible assets"), which the Company recognized in accordance with accounting guidance (i) upon the acquisition of O Olive in March 2017 (ii) upon the acquisition of GreenLine by Apio in April 2012, (iii) upon the acquisition of Lifecore in April 2010, and (iv) upon the acquisition of Apio in December 1999. Accounting guidance defines goodwill as "the excess of the cost of an acquired entity over the net of the estimated fair values of the assets acquired and the liabilities assumed at date of acquisition." All intangible assets, including goodwill, associated with the acquisition of Lifecore was allocated to our Biomaterials reporting unit, the acquisitions of Apio and GreenLine were allocated to our Packaged Fresh Vegetables reporting unit, and the acquisition of O Olive was allocated to our Other reporting unit, pursuant to accounting guidance based upon the allocation of assets and liabilities acquired and consideration paid for each reporting unit. As of May 28, 2017, the Biomaterials reporting unit had $13.9 million of goodwill, the Packaged Fresh Vegetables reporting unit had $35.5 million of goodwill, the Food Export reporting unit had $269,000 of goodwill, and the Other reporting unit had $5.2 million of goodwill.

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

Income Taxes

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

Stock-Based Compensation

The Company's stock-based awards include stock option grants and restricted stock unit awards ("RSUs").

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

Fair Value Measurements

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

Recent Accounting Pronouncements

Recently Adopted Pronouncements

Statement of Cash Flows

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15, *Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 clarifies how entities should classify certain cash receipts and cash payments in the statement of cash flows and amends certain disclosure requirements of ASC 230. ASU 2016-15 is intended to reduce diversity in practice with respect to eight types of cash flows including debt prepayment or debt extinguishment costs; proceeds from settlement of insurance claims; classification of cash receipts and payments that have aspects of more than one class of cash; and contingent consideration payments made after a business combination. The guidance is effective for fiscal years beginning after 15 December 2017, and interim periods within those years. Early adoption is permitted, including adoption in an interim period. The Company elected to early adopt ASU 2016-15 effective November 27, 2016. The adoption had no impact on our consolidated financial statements or related disclosures.

Debt Issuance Costs

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”). The new guidance requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, rather than as an asset, except in instances where proceeds from the related debt agreement have not been received.

In August 2015, the FASB issued ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated With Line-of-Credit Arrangements* (“ASU 2015-15”). ASU 2015-15 amends Subtopic 835-30 to clarify that the Securities and Exchange Commission would not object to the deferral and presentation of debt issuance costs as an asset and subsequent amortization of the deferred costs ratably over the term of the line of credit arrangement, regardless of whether there are any outstanding borrowings on the arrangement.

The Company adopted ASU 2015-03 and ASU 2015-15 during its first fiscal quarter ended August 28, 2016 with retrospective application to its May 29, 2016 consolidated balance sheet. The effect of the adoption of ASU 2015-03 was to reclassify total debt issuance costs of $817,000 as of May 29, 2016 as a deduction from the related debt liabilities. Accordingly, the May 29, 2016 consolidated balance sheet was adjusted as follows: (1) prepaid expenses and other current assets and total current assets were reduced by $175,000 and current portion of long-term debt and total current liabilities were reduced by the same; (2) other assets were reduced by $642,000 and long-term debt was reduced by the same; and (3) total assets were reduced by $817,000 and total liabilities were reduced by the same. There was no effect related to the adoption of ASU 2015-15 given the Company has historically presented line of credit debt issuance costs as an asset, and as such, $120,000 and $431,000 remain as prepaid expenses and other current assets and other assets, respectively, as of May 28, 2017. ASU 2015-03 and ASU 2015-15 do not impact the income statement accounting for debt issuance costs; therefore, these costs will continue to be amortized to interest expense over the term of the related debt instruments. There was no effect on net income.

Stock-Based Compensation

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (“ASU 2016-09”). The new guidance changes the accounting for certain aspects of stock-based payments to employees and requires excess tax benefits and tax deficiencies to be recorded in the income statement when the awards vest or are settled. In addition, cash flows related to excess tax benefits will no longer be separately classified as a financing activity apart from other income tax cash flows. The standard also clarifies that all cash payments made on an employee’s behalf for withheld shares should be presented as a financing activity in the Company’s consolidated statements of cash flows and provides an accounting policy election to account for forfeitures as they occur. Finally, the new guidance eliminates the requirement to delay the recognition of excess tax benefits until it reduces current taxes payable. The new standard is effective for the Company beginning May 29, 2017.

The Company elected to early adopt the new guidance during its first fiscal quarter ended August 28, 2016. Accordingly, the primary effects of the adoption are as follows: (1) using a modified retrospective application, the Company recorded unrecognized excess tax benefits of $549,000 as a cumulative-effect adjustment, which increased retained earnings, and reduced deferred taxes by the same, (2) using a modified retrospective application, the Company has elected to recognize forfeitures as they occur and recorded a $200,000 increase to additional paid-in capital, a $126,000 reduction to retained earnings, and a $74,000 reduction to deferred taxes to reflect the incremental stock-based compensation expense, net of the related tax impacts, that would have been recognized in prior years under the modified guidance, and (3) $90,000 in excess tax benefits from stock-based compensation was reclassified from cash flows from financing activities to cash flows from operating activities for the twelve months ended May 28, 2017 in the consolidated statements of cash flows. See Note 8 – Income Taxes for further information regarding additional effects related to the prospective application of excess tax benefits and tax deficiencies related to stock-based compensation on the Company’s financial statements.

Goodwill Impairment

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). The new guidance simplifies the accounting for goodwill impairments by eliminating the requirement to compare the implied fair value of goodwill with its carrying amount as part of step two of the goodwill impairment test. As a result, under ASU 2017-04, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. However, the impairment loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for annual reporting periods beginning after December 15, 2019, including any interim impairment tests within those annual periods, with early application for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. In May 2017, the Company elected to early adopt ASU 2017- 04, and the adoption had no impact on the consolidated financial statements.

Recently Issued Pronouncements to be Adopted

Revenue Recognition

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

Currently, the Company is in the process of evaluating the impact of the adoption of ASU 2014-09. As a result, the Company has initially identified the following core revenue streams from its contracts with customers:

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

The Company's assessment efforts to date have included reviewing current accounting policies, processes, and systems requirements, as well assigning internal resources and third-party consultants to assist in the process. Additionally, the Company has begun to review historical contracts and other arrangements to identify potential differences that could arise from the adoption of ASU 2014-09. Most notably, the Company is evaluating its current conclusions with respect to gross versus net revenue reporting for its Food Export business, as well as the timing of revenue recognition for its product development contract manufacturing arrangements in its Biomaterials business, to determine whether the application of ASU 2014-09 necessitates changes to such reporting. Beyond its core revenue streams, and the items listed above, the Company is also evaluating the impact of ASU 2014-09 on certain ancillary transactions and other arrangements.

Currently, the Company cannot reasonably estimate the impact the application of ASU 2014-09 will have upon its consolidated financial statements. The Company continues to assess the impact of ASU 2014-09, along with industry trends and additional interpretive guidance, on its core revenue streams, and as a result of the continued assessment, the Company may modify its plan to adoption accordingly.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use-assets. ASU 2016-02 also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The Company will adopt ASU 2016-02 beginning in the first quarter of fiscal year 2020 on a modified retrospective basis.

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

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

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

Results of Operations

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

With the acquisition of O Olive on March 1, 2017, the segment historically referred to as Corporate was changed to Other for the fiscal year 2017 comparison to fiscal year 2016.

Revenues (in thousands):

	Year Ended		
	May 28, 2017	May 29, 2016	Change
Packaged Fresh Vegetables	$ 408,021	$ 423,859	(4%)
Food Export	62,481	64,181	(3%)
Total Apio	470,502	488,040	(4%)
Biomaterials	59,392	50,470	18%
Other	2,363	2,589	(9%)
Total Revenues	$ 532,257	$ 541,099	(2%)

Packaged Fresh Vegetables (Apio)

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

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

Food Export (Apio)

Apio's Food Export revenues consist of revenues generated from the purchase and sale of primarily whole commodity fruit and vegetable products predominantly to Asia by Cal-Ex. Apio records revenue equal to the sale price to third parties because it takes title to the product while in transit.

The decrease in revenues in Apio's Food Export business for the fiscal year ended May 28, 2017 compared with fiscal year 2016 was due to a 4% decrease in unit volume sales as a result of produce shortages this past winter and the Company's decision to discontinue selling certain low margin fruit products.

Biomaterials (Lifecore)

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

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

Other

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

The decrease in Other revenues for the fiscal year ended May 29, 2016 compared to the same period last year was due to the completion of two licensing agreements in fiscal year 2017 which started at the beginning of fiscal year 2016 partially offset by $773,00 of revenues from O Olive since its acquisition on March 1, 2017.

Gross Profit (in thousands):

	Year Ended		
	May 28, 2017	May 29, 2016	Change
Packaged Fresh Vegetables	$ 51,148	$ 40,479	26%
Food Export	3,974	4,176	(5%)
Total Apio	55,122	44,655	23%
Biomaterials	26,755	24,081	11%
Other	1,309	2,221	(41%)
Total Gross Profit	$ 83,186	$ 70,957	17%

General

There are numerous factors that can influence gross profit including product mix, customer mix, manufacturing costs, volume, sales discounts and charges for excess or obsolete inventory, to name a few. Many of these factors influence or are interrelated with other factors. The Company includes in cost of sales all of the costs related to the sale of products in accordance with GAAP. These costs include the following: raw materials (including produce, seeds, packaging, syringes and fermentation and purification supplies), direct labor, overhead (including indirect labor, depreciation, and facility-related costs) and shipping and shipping-related costs. The following are the primary reasons for the changes in gross profit for the fiscal year ended May 28, 2017 compared to the same period last year as outlined in the table above.

Packaged Fresh Vegetables (Apio)

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

Food Export (Apio)

Apio's Food Export business is a buy/sell business that typically realizes a gross margin in the 5-10% range.

The decrease in gross profit for Apio's Food Export business during the fiscal year ended May 28, 2017 compared to the same period last year was due to lower revenues and a slightly unfavorable product mix. The gross profit as a percent of sales during the fiscal year ended May 28, 2017 was 6.4% compared to a gross margin of 6.5% during the same period last year.

Biomaterials (Lifecore)

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

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

Other

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

Operating Expenses (in thousands):

	Year Ended		
	May 28, 2017	May 29, 2016	Change
Research and Development:			
Apio	$ 1,840	$ 987	86%
Lifecore	5,387	4,701	15%
Other	2,246	1,540	46%
Total R&D	$ 9,473	$ 7,228	31%
Selling, General and Administrative:			
Apio	$ 37,901	$ 33,187	14%
Lifecore	5,422	5,303	2%
Other	12,305	11,025	12%
Total SG&A	$ 55,628	$ 49,515	12%

Research and Development (R&D)

The Company's R&D consisted primarily of product development and commercialization initiatives. R&D efforts at Apio are focused on new product development and on the Company's proprietary BreatheWay membranes used for packaging produce, with a focus on extending the shelf-life of sensitive vegetables and fruit. In the Lifecore business, the R&D efforts are focused on new products and applications for HA-based and non-HA biomaterials. For Other, the R&D efforts are primarily focused on supporting the development and commercialization of new products and new technologies in our Apio and Lifecore businesses and during fiscal years 2017 and 2016 on R&D collaborations with partners.

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

Selling, General and Administrative (SG&A)

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

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

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

	Year Ended				
	May 28, 2017		May 29, 2016		Change
Dividend Income	$	1,650	$	1,650	0%
Interest Income	$	16	$	71	(77%)
Interest Expense, net	$	(1,826)	$	(1,987)	(8%)
Loss on Debt Refinancing	$	(1,233)	$	—	N/M
Other Income	$	900	$	1,200	(25%)
Income Tax (Expense) Benefit	$	(4,335)	$	7,404	N/M
Non-controlling Interest Expense	$	(87)	$	(193)	(55%)

Dividend Income

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

Interest Income

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

Interest Expense, net

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

Loss on Debt Refinancing

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

Other Income

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

Income Tax Expense (Benefit)

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

Non-controlling Interest

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

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

Fiscal Year Ended May 29, 2016 Compared to Fiscal Year Ended May 31, 2015

Revenues (in thousands):

	Year Ended		
	May 29, 2016	May 31, 2015	Change
Packaged Fresh Vegetables	$ 423,859	$ 430,415	(2%)
Food Export	64,181	67,837	(5%)
Total Apio	488,040	498,252	(2%)
Biomaterials	50,470	40,432	25%
Corporate	2,589	573	352%
Total Revenues	$ 541,099	$ 539,257	0%

Packaged Fresh Vegetables (Apio)

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

The decrease in Apio's Packaged Fresh Vegetables revenues for the fiscal year ended May 29, 2016 compared to the same period of last year was primarily due to a 5% decrease in unit volume sales. The volume decrease was due to lower sales in Apio's historical core packaged fresh vegetable business due to a severe shortage of produce during most of the second and third fiscal quarters of 2016, partially offset by increased sales of higher-priced salad kit products. The decrease was also due to fiscal year 2015 having an extra week compared to fiscal year 2016 as a result of the timing of the Company's 2015 fiscal year end.

Food Export (Apio)

Apio's Food Export revenues consist of revenues generated from the purchase and sale of primarily whole commodity fruit and vegetable products to Asia by Cal-Ex. Apio records revenue equal to the sale price to third parties because it takes title to the product while in transit.

The decrease in revenues in Apio's Food Export business for the fiscal year ended May 29, 2016 compared with fiscal year 2015 was due to a 5% decrease in unit volume sales as a result of produce shortages and the high value of the U.S. dollar compared to most Asian currencies which made our export products more expensive for our foreign customers who pay Apio in U.S. dollars.

Biomaterials (Lifecore)

Lifecore principally generates revenue through the sale of products containing HA. Lifecore primarily sells products to customers in three medical areas: (1) Ophthalmic, which represented approximately 55% of Lifecore's revenues in fiscal year 2016, (2) Orthopedic, which represented approximately 20% of Lifecore's revenues in fiscal year 2016 and (3) Other/Non-HA products which represented approximately 25% of Lifecore's revenues in fiscal year 2016.

The increase in Lifecore's revenues for the fiscal year ended May 29, 2016 compared to the same period last year was due to an increase of $9.7 million in development service revenues from existing customers, and an increase of $4.6 million in fermentation revenues due primarily to a customer that reduced its purchases last year due to an inventory adjustment resuming their historical purchase levels in fiscal year 2016. This increase was partially offset by a decrease in aseptic revenues of $4.2 million for fiscal year 2016 as a result of lower customer demand primarily due to an inventory management initiative put in place by several customers.

Corporate

Corporate revenues are generated from the licensing agreements with corporate partners.

The increase in Corporate revenues for the fiscal year ended May 29, 2016 compared to the same period last year was due to two new licensing and R&D agreements entered into on June 1, 2015.

Gross Profit (in thousands):

	Year Ended		
	May 29, 2016	May 31, 2015	Change
Packaged Fresh Vegetables	$ 40,479	$ 45,993	(12%)
Food Export	4,176	4,252	(2%)
Total Apio	44,655	50,245	(11%)
Biomaterials	24,081	14,609	65%
Corporate	2,221	553	302%
Total Gross Profit	$ 70,957	$ 65,407	8%

General

There are numerous factors that can influence gross profit including product mix, customer mix, manufacturing costs, volume, sales discounts and charges for excess or obsolete inventory, to name a few. Many of these factors influence or are interrelated with other factors. The Company includes in cost of sales all of the costs related to the sale of products in accordance with U.S. generally accepted accounting principles. These costs include the following: raw materials (including produce, seeds, packaging, syringes and fermentation and purification supplies), direct labor, overhead (including indirect labor, depreciation, and facility related costs) and shipping and shipping-related costs. The following are the primary reasons for the changes in gross profit for the fiscal year ended May 29, 2016 compared to the same period last year as outlined in the table above.

Packaged Fresh Vegetables (Apio)

The decrease in gross profit for Apio's Packaged Fresh Vegetables business for the fiscal year ended May 29, 2016 compared to the same period last year was primarily due to severe produce shortages resulting from unseasonably warm weather in California throughout most of the second and third quarters of this fiscal year which significantly reduced yields. The excess cost from produce shortages for fiscal year 2016 of approximately $15.6 million more than offset the gross profit generated from a favorable product mix resulting from a higher percentage of sales being generated from the higher margin salad kit products versus the lower margin historical core fresh packaged vegetable business.

Food Export (Apio)

Apio's Food Export business is a buy/sell business that typically realizes a gross margin in the 5-10% range.

The decrease in gross profit for Apio's Food Export business during the fiscal year ended May 29, 2016 compared to the same period last year was due to lower revenues partially offset by a favorable product mix. The gross profit as a percent of sales during the fiscal year ended May 29, 2016 was 6.5% compared to a gross margin of 6.3% during the same period last year.

Biomaterials (Lifecore)

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

The increase in gross profit during the fiscal year ended May 29, 2016 compared to the same period last year was due to a 25% increase in revenues and from a favorable product mix change to a higher percentage of revenues coming from the higher margin development service revenues and fermentation products than from the lower margin aseptically filled products.

Corporate

The increase in Corporate gross profit for the fiscal year ended May 29, 2016 compared to the same period last year was due to two new licensing and R&D agreements entered into on June 1, 2015.

Operating Expenses (in thousands):

	Year Ended		
	May 29, 2016	May 31, 2015	Change
Research and Development:			
Apio	$ 987	$ 745	32%
Lifecore	4,701	4,806	(2%)
Corporate	1,540	1,437	7%
Total R&D	$ 7,228	$ 6,988	3%
Selling, General and Administrative:			
Apio	$ 33,187	$ 27,380	21%
Lifecore	5,303	4,057	31%
Corporate	11,025	8,521	29%
Total SG&A	$ 49,515	$ 39,958	24%

Research and Development (R&D)

The Company's R&D consisted primarily of product development and commercialization initiatives. R&D efforts at Apio are focused on the Company's proprietary BreatheWay membranes used for packaging produce, with a focus on extending the shelf-life of sensitive vegetables and fruit. In the Lifecore business, the R&D efforts are focused on new products and applications for HA-based and non-HA biomaterials. For Corporate, the R&D efforts are primarily focused on supporting the development and commercialization of new products and new technologies in our food and HA businesses and on new R&D collaborations with partners.

The increase in R&D expenses for the fiscal year ended May 29, 2016 compared to the same period last year was due to an increase in R&D at Apio and Corporate due primarily to supporting development partners for the Company's BreatheWay membrane technology.

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

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

The increase in S,G&A expenses for the fiscal year ended May 29, 2016 compared to the same period last year was due to (1) a 21% increase in S,G&A at Apio primarily to ramp up introduction, product launches, advertising and promotions of our existing and new salad kit products and from additional headcount hired over the past year, (2) a 31% increase at Lifecore primarily due to bonuses being accrued this fiscal year compared to a nominal amount last fiscal year and from headcount additions to support its growth and (3) a 29% increase at Corporate primarily due to the reversal of the $677,000 LTIP accrual last fiscal year and from an increase in stock-based compensation as a result of stock option and RSU grants made in May 2015, with the predominate amount of those grants being granted to the new CEO.

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

	Year Ended		
	May 29, 2016	May 31, 2015	Change
Dividend Income	$ 1,650	$ 1,417	16%
Interest Income	$ 71	$ 315	(77%)
Interest Expense, net	$ (1,987)	$ (1,829)	9%
Other Income	$ 1,200	$ 3,107	(61%)
Income Tax Expense (Benefit)	$ 7,404	$ (7,746)	N/M
Non-controlling Interest	$ (193)	$ (181)	7%

Dividend Income

Dividend income is derived from the dividends accrued on our $22.0 million preferred stock investment in Windset which yields a cash dividend of 7.5% annually. The increase in dividend income for fiscal year 2016 compared to the same period last year was due to the Company increasing its preferred stock investment in Windset by $7.0 million on October 29, 2014.

Interest Income

The decrease in interest income in fiscal year 2016 compared to fiscal year 2015 was not significant.

Interest Expense, net

The increase in interest expense during fiscal year 2016 compared to fiscal year 2015 was not significant.

Other Income

The decrease in other income for fiscal year 2016 was due to the change in the increase in the fair value of our investment in Windset being lower in fiscal year 2016 compared to fiscal year 2015.

Income Tax Expense (Benefit)

The decrease in the income tax expense for the fiscal year ended May 29, 2016 is due to the tax benefit from the GreenLine impairment charge recorded during the third quarter of fiscal year 2016 and from a decrease in net income before taxes, excluding the GreenLine impairment charge, compared to last year.

Non-controlling Interest

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

The decrease in non-controlling interest for fiscal year 2016 compared to the same period last year was not significant.

Liquidity and Capital Resources

As of May 28, 2017, the Company had cash and cash equivalents of $5.4 million, a net decrease of $4.5 million from $9.9 million at May 29, 2016.

Cash Flows from Operating Activities

The Company generated $29.3 million of cash from operating activities during fiscal year 2017 compared to generating $21.9 million of cash from operating activities during fiscal year 2016. The primary sources of cash from operating activities during fiscal year 2017 were from (1) $10.7 million of net income, (2) $14.6 million of depreciation/amortization and stock-based compensation expenses, (3) a $2.5 million net increase in deferred tax liabilities, (4) $1.2 million from a loss on the early extinguishment of debt and (5) from a $584,000 net decrease in working capital.

The primary factors which decreased working capital during fiscal year 2017 were (1) a $2.8 million increase in accrued compensation primarily due to an increase in bonuses being accrued at fiscal year-end 2017 compared to bonuses accrued at the end of fiscal year 2016, (2) a $2.1 million increase in other accrued liabilities primarily resulting from an increase in accrued legal fees at Apio and an increase in accrued accounting/tax fees at corporate and (3) a $1.0 million decrease in prepaid expenses and other current assets due primarily to a decrease in grower advances at Apio. These decreases were partially offset by a $5.2 million decrease in accounts payable due to a $4.3 million decrease at Apio primarily resulting from grower payments made during the last week of May this year versus after year end last year and a $900,000 decrease at Lifecore due to the timing of payments.

Cash Flows from Investing Activities

Net cash used in investing activities for fiscal year 2017 was $25.0 million compared to $41.6 million for the same period last year. The primary uses of cash in investing activities during fiscal year 2017 were for $22.6 million of expenditures for facility expansions and the purchase of equipment primarily to support the growth of the Apio Packaged Fresh Vegetables and Lifecore businesses and from the $2.5 million paid at close for the acquisition of O Olive.

Cash Flows from Financing Activities

Net cash used in financing activities for fiscal year 2017 was $8.8 million compared to net cash provided by financing activities of $15.4 million for the same period last year. The net cash used in financing activities during fiscal year

2017 was primarily due to $57.2 million of payments on the Company's long-term debt as a result of refinancing all of the Company's debt during the second quarter of fiscal year 2017 and $500,000 of net payments on the Company's line of credit, partially offset by $50 million of proceeds from the Company refinancing its long-term debt.

Capital Expenditures

During fiscal year 2017, Landec incurred expenditures for facility expansions and purchased equipment to support the growth of the Apio Packaged Fresh Vegetables and Lifecore businesses. These expenditures represented the majority of the $22.6 million of capital expenditures.

Debt

On September 23, 2016, the Company entered into a Credit Agreement with JPMorgan, BMO, and City National Bank, as lenders (collectively, the "Lenders"), and JPMorgan as administrative agent, pursuant to which the Lenders provided the Company with a $100 million revolving line of credit (the "Revolver") and a $50 million term loan facility (the "Term Loan"), guaranteed by each of the Company's direct and indirect subsidiaries and secured by substantially all of the Company's assets, with the exception of the Company's investment in Windset.

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

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

The Credit Agreement provides the Company with the right to increase the Revolver commitments and/or the Term Loan commitments by obtaining additional commitments either from one or more of the Lenders or another lending institution at an amount of up to $75 million.

The Credit Agreement contains customary financial covenants and events of default under which the payment obligation could be accelerated and/or the interest rate increased. The Company was in compliance with all financial covenants as of May 28, 2017.

On November 1, 2016, the Company entered into an interest rate swap agreement ("Swap") with BMO at a notional amount of $50 million. The Swap has the effect of changing the Company's Term Loan obligation from a variable interest rate to a fixed 30-day LIBOR rate of 1.22%. As of May 28, 2017, the interest rate on the Term Loan was 2.97%. For further discussion regarding the Company's use of derivative instruments, see the Financial Instruments section of Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies.

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

During fiscal years 2016 and 2015, Apio capitalized $200,000 and $397,000, respectively, of debt issuance costs from new real property and equipment loans and/or amendments with General Electric Capital Corporation and Bank of America. Amortization of loan origination fees for fiscal years 2017, 2016 and 2015 were $142,000, $293,000 and $206,000 respectively.

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

As of May 28, 2017, $3.0 million was outstanding on the Revolver and the interest rate on the Revolver was 2.50%.

Contractual Obligations

The Company's material contractual obligations for the next five years and thereafter as of May 28, 2017, are as follows (in thousands):

	Due in Fiscal Year Ended May						
Obligation	Total	2018	2019	2020	2021	2022	Thereafter
Debt principal payments	$ 47,500	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 27,500	$ 0
Interest payments	4,404	1,220	1,102	966	831	285	0
Capital leases	5,854	462	472	483	486	460	3,491
Operating leases	15,751	3,349	2,301	1,286	1,138	906	6,771
Purchase commitments	19,072	18,914	158	—	—	—	—
Total	$ 92,581	$ 28,945	$ 9,033	$ 7,735	$ 7,455	$ 29,151	$ 10,262

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

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

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

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

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

Not significant.

Item 8. *Financial Statements and Supplementary Data*

See Item 15 of Part IV of this report.

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

Not applicable.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

As of May 28, 2017, our management evaluated, with participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective in ensuring that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission, and are effective in providing reasonable assurance that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our management assessed the effectiveness of our internal control over financial reporting as of May 28, 2017. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control - Integrated Framework (2013 Framework). Our management has concluded that, as of May 28, 2017, our internal control over financial reporting was effective 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. We have excluded from our evaluation the internal control over financial reporting of O Olive Oil, Inc. ("O Olive"), which we acquired on March 1, 2017, as discussed in Note 2 of Notes to Consolidated Financial Statements. Total revenues subject to O Olive's internal control over financial reporting represented $773,000 of our consolidated total revenues for the fiscal year ended May 28, 2017. Total assets subject to O Olive's internal control over financial reporting represented $1.5 million and $710,000 of our consolidated total and net assets respectively, as of May 28, 2017.

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

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

Changes in Internal Controls over Financial Reporting

There were no changes in our internal controls over financial reporting during the fiscal year ended May 28, 2017 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Landec Corporation

We have audited Landec Corporation and subsidiaries' internal control over financial reporting as of May 28, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Landec Corporation and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, Landec Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of May 28, 2017, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusions on the effectiveness of internal control over financial reporting did not include the internal controls of O Olive Oil, Inc., which is included in the May 28, 2017 consolidated financial statements of Landec Corporation and subsidiaries and constituted $1.5 million and $0.7 million of total and net assets, respectively, as of May 28, 2017 and $0.7 million of revenues, for the year then ended. Our audit of the internal control over financial reporting of Landec Corporation and subsidiaries also did not include an evaluation of internal control over financial reporting of O Olive Oil, Inc.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Landec Corporation and subsidiaries as of May 28, 2017 and May 29, 2016, and the related consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended May 28, 2017 and our report dated August 10, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California
August 10, 2017

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

None

PART III

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

This information required by this item will be contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than September 25, 2017 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

Item 11. ***Executive Compensation***

This information required by this item will be contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than September 25, 2017 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

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

This information required by this item will be contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than September 25, 2017 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

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

This information required by this item will be contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than September 25, 2017 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

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

This information required by this item will be contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than September 25, 2017 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

PART IV

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

(a) 1. Consolidated Financial Statements of Landec Corporation

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

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

Financials

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Landec Corporation

We have audited the accompanying consolidated balance sheets of Landec Corporation and subsidiaries as of May 28, 2017 and May 29, 2016, and the related consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended May 28, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Landec Corporation and subsidiaries at May 28, 2017 and May 29, 2016, and the consolidated results of their operations and their cash flows for each of the three years in the period ended May 28, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Landec Corporation and subsidiaries' internal control over financial reporting as of May 28, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 10, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California
August 10, 2017

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

	May 28, 2017	May 29, 2016 As Adjusted (1)
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 5,409	$ 9,894
Accounts receivable, less allowance for doubtful accounts	47,083	46,406
Inventories	25,290	25,535
Prepaid expenses and other current assets	3,498	4,468
Total Current Assets	81,280	86,303
Investment in non-public company, fair value	63,600	62,700
Property and equipment, net	133,220	120,880
Goodwill, net	54,779	49,620
Trademarks/trade names, net	16,028	14,428
Customer relationships, net	6,783	6,968
Other assets	2,918	1,754
Total Assets	$ 358,608	$ 342,653
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 25,868	$ 30,904
Accrued compensation	8,211	5,460
Other accrued liabilities	9,125	7,772
Deferred revenue	310	832
Line of credit	3,000	3,500
Current portion of long-term debt, net	4,940	7,873
Total Current Liabilities	51,454	56,341
Long-term debt, net	42,299	45,972
Capital lease obligation, less current portion	3,731	3,804
Deferred taxes, net	24,581	22,442
Other non-current liabilities	8,391	1,744
Total Liabilities	130,456	130,303
Stockholders' Equity:		
Common stock, $0.001 par value; 50,000,000 shares authorized; 27,499,155 and 27,148,096 shares issued and outstanding at May 28, 2017 and May 29, 2016, respectively	27	27
Additional paid-in capital	141,680	137,244
Retained earnings	84,470	73,457
Accumulated other comprehensive income	432	—
Total Stockholders' Equity	226,609	210,728
Non-controlling interest	1,543	1,622
Total Equity	228,152	212,350
Total Liabilities and Stockholders' Equity	$ 358,608	$ 342,653

(1) Derived from audited financial statements. See Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies for discussion of accounting guidance adopted during the period.

See accompanying notes.

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

	Year Ended		
	May 28, 2017	May 29, 2016	May 31, 2015
Product sales	$ 532,257	$ 541,099	$ 539,257
Cost of product sales	449,071	470,142	473,850
Gross profit	83,186	70,957	65,407
Operating costs and expenses:			
Research and development	9,473	7,228	6,988
Selling, general and administrative	55,628	49,515	39,958
Legal settlement charge	2,580	—	—
Impairment of GreenLine trade name	—	34,000	—
Total operating costs and expenses	67,681	90,743	46,946
Operating income (loss)	15,505	(19,786)	18,461
Dividend income	1,650	1,650	1,417
Interest income	16	71	315
Interest expense, net	(1,826)	(1,987)	(1,829)
Loss on debt refinancing	(1,233)	—	—
Other income	900	1,200	3,107
Net income (loss) before taxes	15,012	(18,852)	21,471
Income tax (expense) benefit	(4,335)	7,404	(7,746)
Consolidated net income (loss)	10,677	(11,448)	13,725
Non-controlling interest expense	(87)	(193)	(181)
Net income (loss) applicable to common stockholders	$ 10,590	$ (11,641)	$ 13,544
Basic net income (loss) per share	$ 0.39	$ (0.43)	$ 0.50
Diluted net income (loss) per share	$ 0.38	$ (0.43)	$ 0.50
Shares used in per share computation			
Basic	27,276	27,044	26,884
Diluted	27,652	27,044	27,336
Other comprehensive income, net of tax:			
Change in net unrealized gains on interest rate swap (net of tax effect of $254, $0, and $0)	$ 432	$ —	$ —
Other comprehensive income, net of tax	432	—	—
Total comprehensive income (loss)	$ 11,022	$ (11,641)	$ 13,544

See accompanying notes.

Financials

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

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Total Stockholders'	Non-controlling
	Shares	Amount	Capital	Earnings	Income	Equity	Interest
Balance at May 25, 2014	26,815	$ 27	$ 131,488	$ 71,554	$ —	$ 203,069	$ 1,692
Issuance of common stock at $5.63 to $8.19 per share, net of taxes paid by Landec on behalf of employees	103	—	122	—	—	122	—
Issuance of common stock for vested restricted stock units ("RSUs")	72	—	—	—	—	—	—
Taxes paid by Company for stock swaps and RSUs	—	—	(343)	—	—	(343)	—
Stock-based compensation	—	—	1,577	—	—	1,577	—
Tax benefit from stock-based compensation expense	—	—	463	—	—	463	—
Payments to non-controlling interest ("NCI")	—	—	—	—	—	—	(196)
Net and comprehensive income	—	—	—	13,544	—	13,544	181
Balance at May 31, 2015	26,990	27	133,307	85,098	—	218,432	1,677
Issuance of common stock at $5.63 to $9.01 per share, net of taxes paid by Landec on behalf of employees	125	—	322	—	—	322	—
Issuance of common stock for vested RSUs	33	—	—	—	—	—	—
Stock-based compensation	—	—	3,465	—	—	3,465	—
Tax benefit from stock-based compensation expense	—	—	150	—	—	150	—
Payments to NCI	—	—	—	—	—	—	(248)
Net and comprehensive loss	—	—	—	(11,641)	—	(11,641)	193
Balance at May 29, 2016	27,148	27	137,244	73,457	—	210,728	1,622
Cumulative-effect adjustment - ASU 2016-09 adoption (1)	—	—	200	423	—	623	—
Issuance of common stock at $5.63 to $11.36 per share, net of taxes paid by Landec on behalf of employees	244	—	706	—	—	706	—
Issuance of common stock for vested RSUs	107	—	—	—	—	—	—
Taxes paid by Company for stock swaps and RSUs	—	—	(434)	—	—	(434)	—
Stock-based compensation	—	—	3,964	—	—	3,964	—
Payments to NCI	—	—	—	—	—	—	(166)
Net income	—	—	—	10,590	—	10,590	87
Other comprehensive income, net of tax	—	—	—	—	432	432	—
Balance at May 28, 2017	27,499	$ 27	$ 141,680	$ 84,470	$ 432	$ 226,609	$ 1,543

(1) See Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies for a discussion of accounting guidance adopted during the period.

See accompanying notes.

LANDEC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended		
	May 28, 2017	May 29, 2016 As Adjusted (1)	May 31, 2015 As Adjusted (1)
Cash flows from operating activities:			
Consolidated net income (loss)	$ 10,677	$ (11,448)	$ 13,725
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,677	9,395	7,090
Stock-based compensation expense	3,964	3,465	1,577
Loss on early debt extinguishment	1,233	—	—
Deferred taxes	2,506	(9,787)	4,152
Change in investment in non-public company, fair value	(900)	(1,200)	(3,900)
Net loss (gain) on disposal of property and equipment	586	46	(90)
Impairment of GreenLine trade name	—	34,000	—
Impairment of non-public company, non-fair value investment	—	—	793
Changes in assets and liabilities:			
Accounts receivable, net	(336)	73	(1,754)
Inventories	855	(508)	(292)
Prepaid expenses and other current assets	1,039	965	177
Accounts payable	(5,189)	(4,105)	2,894
Accrued compensation	2,751	(1,282)	2,646
Other accrued liabilities	2,086	2,556	11
Restricted cash collateral	(100)	(225)	—
Deferred revenue	(522)	(11)	(411)
Net cash provided by operating activities	29,327	21,934	26,618
Cash flows from investing activities:			
Purchases of property and equipment	(22,592)	(40,867)	(17,511)
Acquisition of O Olive (Note 2)	(2,500)	—	—
Deposit on capital lease	—	(850)	—
Proceeds from sales of fixed assets	81	127	1,071
Investment in non-public company, fair value	—	—	(18,000)
Net cash used in investing activities	(25,011)	(41,590)	(34,440)
Cash flows from financing activities:			
Proceeds from sale of common stock	706	322	122
Taxes paid by Company for stock swaps and RSUs	(434)	—	(343)
Net change in other assets/liabilities	(41)	(247)	(24)
Proceeds from long term debt	50,000	26,748	15,014
Payments on long term debt	(57,236)	(14,652)	(6,867)
Proceeds from lines of credit	4,500	26,100	30,417
Payments on lines of credit	(5,000)	(22,600)	(30,417)
Payments for debt issuance costs	(897)	—	—
Payments for early debt extinguishment penalties	(233)	—	—
Payments to non-controlling interest.	(166)	(248)	(196)
Net cash (used in) provided by financing activities	(8,801)	15,423	7,706
Net decrease in cash and cash equivalents	(4,485)	(4,233)	(116)
Cash and cash equivalents at beginning of year	9,894	14,127	14,243
Cash and cash equivalents at end of year	$ 5,409	$ 9,894	$ 14,127
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest	$ 2,332	$ 2,017	$ 1,994
Cash paid during the period for income taxes, net of refunds received	$ 2,792	$ 2,625	$ 150
Supplemental disclosure of non-cash investing and financing activities:			
Facility and equipment acquired under a capital lease	$ —	$ 3,908	$ —

(1) See Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies for a discussion of accounting principles adopted during the period.

See accompanying notes.

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

Organization

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

Basis of Presentation and Consolidation

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

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

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

Summary of Significant Accounting Policies

Use of Estimates

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

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

Concentrations of Risk

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

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

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

During the fiscal year ended May 28, 2017, sales to the Company’s top five customers accounted for approximately 44% of total revenue with the top two customers from the Packaged Fresh Vegetables segment, Costco (“Costco”) and Wal-mart, Inc. (“Wal-mart”) accounting for approximately 18% and 14%, respectively, of total revenues. In addition, approximately 30% of the Company’s total revenues were derived from product sales to international customers, none of which individually accounted for more than 5% of total revenues. As of May 28, 2017, the top two customers, Costco and Wal-mart represented approximately 12% and 17%, respectively, of total accounts receivable.

During the fiscal year ended May 29, 2016, sales to the Company’s top five customers accounted for approximately 45% of total revenue with the top two customers from the Packaged Fresh Vegetables segment, Costco and Wal-mart accounting for approximately 20% and 12%, respectively, of total revenues. In addition, approximately 31% of the Company’s total revenues were derived from product sales to international customers, none of which individually accounted for more than 5% of total revenues. As of May 29, 2016, the top two customers, Costco and Wal-mart represented approximately 13% and 15%, respectively, of total accounts receivable.

Impairment of Long-Lived Assets

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

Financial Instruments

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

Cash Flow Hedges

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

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

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

	Unrealized Gains on Cash Flow Hedge
Balance as of May 29, 2016	$ —
Other comprehensive income before reclassifications, net of tax effect	432
Amounts reclassified from OCI	—
Other comprehensive income, net	432
Balance as of May 28, 2017	$ 432

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

Based on these assumptions, management believes the fair market values of the Company's financial instruments are not significantly different from their recorded amounts as of May 28, 2017 and May 29, 2016.

Accounts Receivable and Sales Returns and Allowance for Doubtful Accounts

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

	Balance at beginning of period	Adjustments charged to revenue and expenses	Write offs, net of recoveries	Balance at end of period
Year Ended May 31, 2015	$ 516	$ —	$ (134)	$ 382
Year Ended May 29, 2016	$ 382	$ 63	$ (110)	$ 335
Year Ended May 28, 2017	$ 335	$ 519	$ (453)	$ 401

Revenue Recognition

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

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

In addition, Packaged Fresh Vegetables revenues include the revenues generated from Apio Cooling, LP, a vegetable cooling operation in which Apio is the general partner with a 60% ownership position, and from the sale of BreatheWay® packaging to license partners. Revenue is recognized on the vegetable cooling operations as cooling and storage services are provided to Apio's customers. Sales of BreatheWay packaging are recognized when shipped to Apio's customers.

Apio's Food Export revenues consist of revenues generated from the purchase and sale of primarily whole commodity fruit and vegetable products to Asia through its subsidiary, Cal-Ex Trading Company ("Cal-Ex"). As most Cal-Ex customers are in countries outside of the U.S., title transfers and revenue is generally recognized upon arrival of the shipment in the foreign port. Apio records revenue equal to the sale price to third parties because it takes title to the product while in transit.

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

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

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

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

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

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

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

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

	Year Ended		
	May 28, 2017	May 29, 2016	May 31, 2015
Recorded upon shipment	$ 456,512	$ 458,985	$ 465,848
Recorded upon acceptance in foreign port	62,481	64,181	67,714
Revenue from multiple element arrangements	8,431	13,400	4,253
Revenue from license fees, R&D contracts and royalties/profit sharing	4,833	4,533	1,806
Total	$ 532,257	$ 541,099	$ 539,257

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.

Other Accounting Policies and Disclosures

Cash and Cash Equivalents

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

Inventories

Inventories are stated at the lower of cost (using the first-in, first-out method) or net realizable value. As of May 28, 2017 and May 29, 2016 inventories consisted of (in thousands):

	Year Ended	
	May 28, 2017	May 29, 2016
Finished goods	$ 11,685	$ 12,165
Raw materials	10,158	9,855
Work in progress	3,447	3,515
Total inventories	$ 25,290	$ 25,535

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

Advertising Expense

Advertising expenditures for the Company are expensed as incurred. Advertising expense for the Company for fiscal years 2017, 2016, and 2015 was $1.9 million, $2.1 million and $1.3 million, respectively.

Notes and Advances Receivable

Apio issues notes and makes advances to produce growers for their crop and harvesting costs primarily for the purpose of sourcing crops for Apio's business. Notes and advances receivable are generally recovered during the growing season (less than one year) using proceeds from the crops sold to Apio. Notes are interest bearing obligations, evidenced by contracts and notes receivable. These notes and advances receivable are secured by perfected liens on crops, have terms that range from three to nine months, and are reviewed at least quarterly for collectability. A reserve is established for any note or advance deemed to not be fully collectible based upon an estimate of the crop value or the fair value of the security for the note or advance. Notes or advances outstanding at May 28, 2017 and May 29, 2016 were $1.0 million and $2.3 million, respectively and are recorded in prepaid expenses and other current assets in the accompanying Consolidated Balance Sheets.

Related Party Transactions

The Company sold products to and earned license fees from Windset during the last three fiscal years. During fiscal years 2017, 2016, and 2015, the Company recognized revenues of $514,000, $666,000, and $537,000, respectively. These amounts have been included in product sales in the accompanying Consolidated Statements of Comprehensive Income (Loss), from the sale of products to and license fees from Windset. The related receivable balances of $388,000 and $523,000 from Windset are included in accounts receivable in the accompanying Consolidated Balance Sheets as of May 28, 2017 and May 29, 2016, respectively.

Additionally, unrelated to the revenue transactions above, the Company purchases produce from Windset for sale to third parties. During fiscal years 2017, 2016, and 2015, the Company recognized cost of product sales of $22,000, $32,000, and $1.6 million, respectively, in the accompanying Consolidated Statements of Comprehensive Income (Loss), from the sale of products purchased from Windset. The related accounts payable of $22,000 and zero to Windset are included in accounts payable in the accompanying Consolidated Balance Sheets as of May 28, 2017 and May 29, 2016, respectively.

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

Property and Equipment

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

The Company capitalizes software development costs for internal use in accordance with accounting guidance. Capitalization of software development costs begins in the application development stage and ends when the asset is placed into service. The Company amortizes such costs on a straight-line basis over estimated useful lives of three to seven years. During fiscal years 2017, 2016, and 2015, the Company capitalized $2.2 million, $174,000, and $509,000 in software development costs, respectively.

Long-Lived Assets

The Company's Long-Lived Assets consist of property, plant and equipment, and intangible assets. Intangible assets are comprised of customer relationships with an estimated useful life of eleven to thirteen years (the "finite-lived intangible assets") and trademarks/trade names and goodwill with indefinite lives (collectively, "the indefinite-lived intangible assets"), which the Company recognized in accordance with accounting guidance (i) upon the acquisition of O Olive Oil, Inc. ("O Olive") in March 2017, (ii) upon the acquisition of GreenLine Holding Company ("GreenLine") by Apio in April 2012, (iii) upon the acquisition of Lifecore in April 2010 and (iv) upon the acquisition of Apio in December 1999. Accounting guidance defines goodwill as "the excess of the cost of an acquired entity over the net of the estimated fair values of the assets acquired and the liabilities assumed at date of acquisition." All intangible assets, including goodwill, associated with the acquisition of O Olive was allocated to the Other reporting unit, the acquisition of Lifecore was allocated to the Biomaterials reporting unit, and the acquisitions of Apio and GreenLine were allocated to the Packaged Fresh Vegetables reporting unit based upon the allocation of assets and liabilities acquired and consideration paid for each reporting unit. As of May 28, 2017, the Other reporting unit had $5.2 million of goodwill, the Biomaterials reporting unit had $13.9 million of goodwill, the Food Export reporting unit had $269,000 of goodwill, and the Packaged Fresh Vegetables reporting unit had $35.5 million of goodwill.

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

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

During fiscal year 2016, the Company recorded an impairment charge of $34.0 million related to discontinued use of the GreenLine trade name for non-food service customers. There were no impairments of intangible assets in fiscal year 2017.

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

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

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

As of February 27, 2017, the Company tested its goodwill for impairment and determined that no indication of impairment existed as of that date. As a result, it was not necessary to perform the quantitative goodwill impairment test at that time. Subsequent to the 2017 annual impairment test, there have been no significant events or circumstances affecting the valuation of goodwill that indicate a need for goodwill to be further tested for impairment. There were no impairment losses for goodwill during fiscal years 2017, 2016, and 2015.

Investment in Non-Public Company

On February 15, 2011, the Company made an investment in Windset which is reported as an investment in non-public company, fair value, in the accompanying Consolidated Balance Sheets as of May 28, 2017 and May 29, 2016. The Company has elected to account for its investment in Windset under the fair value option. See Note 3 – Investment in Non-public Company for further information.

Partial Self-Insurance on Employee Health and Workers Compensation Plans

The Company provides health insurance benefits to eligible employees under self-insured plans whereby the Company pays actual medical claims subject to certain stop loss limits and self-insures its workers compensation claims. The Company records self-insurance liabilities based on actual claims filed and an estimate of those claims incurred but not reported. Any projection of losses concerning the Company's liability is subject to a high degree of variability. Among the causes of this variability are unpredictable external factors such as inflation rates, changes in severity, benefit level changes, medical costs, and claims settlement patterns. This self-insurance liability is included in accrued liabilities in the accompanying Consolidated Balance Sheets and represents management's best estimate of the amounts that have not been paid as of May 28, 2017. It is reasonably possible that the expense the Company ultimately incurs could differ and adjustments to future reserves may be necessary.

Deferred Revenue

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

Non-Controlling Interest

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

In connection with the acquisition of Apio, Landec acquired Apio's 60% general partner interest in Apio Cooling, a California limited partnership. Apio Cooling is included in the consolidated financial statements of Landec for all periods presented. The non-controlling interest balances are comprised of the non-controlling limited partners' interest in Apio Cooling.

Income Taxes

The Company accounts for income taxes in accordance with accounting guidance which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax basis of recorded assets and liabilities. The Company maintains valuation allowances when it is likely that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in the Company's income tax provision in the period of change. In determining whether a valuation allowance is warranted, the Company takes into account such factors as prior earnings history, expected future earnings, unsettled circumstances that, if unfavorably resolved, would adversely affect utilization of a deferred tax asset, carryback and carryforward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset. At May 28, 2017, the Company had a $1.3 million valuation allowance against its deferred tax assets.

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

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

Per Share Information

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

The following table sets forth the computation of diluted net income (loss) per share (in thousands, except per share amounts):

	Year Ended		
	May 28, 2017	May 29, 2016	May 31, 2015
Numerator:			
Net income (loss) applicable to Common Stockholders	$ 10,590	$ (11,641)	$ 13,544
Denominator:			
Weighted average shares for basic net income (loss) per share	27,276	27,044	26,884
Effect of dilutive securities:			
Stock options and restricted stock units	376	—	452
Weighted average shares for diluted net income (loss) per share	27,652	27,044	27,336
Diluted net income (loss) per share	$ 0.38	$ (0.43)	$ 0.50

Options to purchase 1,428,272 and 371,115 shares of Common Stock at a weighted average exercise price of $13.58 and $14.02 per share were outstanding during fiscal years ended May 28, 2017 and May 31, 2015, respectively, but were not included in the computation of diluted net income per share because the options' exercise price were greater than the average market price of the Common Stock and, therefore, their inclusion would be antidilutive.

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

Cost of Sales

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

Research and Development Expenses

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

Accounting for Stock-Based Compensation

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

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

	Year Ended		
	May 28, 2017	May 29, 2016	May 31, 2015
Options	$ 1,230	$ 1,352	$ 561
RSUs	2,734	2,113	1,016
Total stock-based compensation	$ 3,964	$ 3,465	$ 1,577

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

	Year Ended		
	May 28, 2017	May 29, 2016	May 31, 2015
Cost of sales	$ 485	$ 405	$ 142
Research and development	83	90	16
Selling, general and administrative	3,396	2,970	1,419
Total stock-based compensation	$ 3,964	$ 3,465	$ 1,577

The estimated fair value for stock options, which determines the Company's calculation of stock-based compensation expense, is based on the Black-Scholes option pricing model. RSUs are valued at the closing market price of the Company's common stock on the date of grant. The Company uses the straight-line single option method to calculate and recognize the fair value of stock-based compensation arrangements.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the expected stock price volatility and expected life of option awards, which have a significant impact on the fair value estimates. As of May 28, 2017, May 29, 2016 and May 31, 2015, the fair value of stock option grants was estimated using the following weighted average assumptions:

	Year Ended		
	May 28, 2017	May 29, 2016	May 31, 2015
Expected life (in years)	3.50	3.38	3.25
Risk-free interest rate	1.08%	1.09%	1.00%
Volatility	26%	31%	32%
Dividend yield	0%	0%	0%

The weighted average estimated fair value of Landec employee stock options granted at grant date market prices during the fiscal years ended May 28, 2017, May 29, 2016 and May 31, 2015 was $2.37, $2.85 and $3.42 per share, respectively. No stock options were granted above or below grant date market prices during the fiscal years ended May 28, 2017, May 29, 2016 and May 31, 2015.

Fair Value Measurements

The Company uses fair value measurement accounting for financial assets and liabilities and for financial instruments and certain other items measured at fair value. The Company has elected the fair value option for its investment in a non-public company. See Note 3 – Investment in Non-public Company for further information. The Company has not elected the fair value option for any of its other eligible financial assets or liabilities.

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

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

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

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

As of May 28, 2017, the Company held certain assets that were required to be measured at fair value on a recurring basis, including its interest rate swap and its minority interest investment in Windset.

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

The Company has elected the fair value option of accounting for its investment in Windset. The calculation of fair value utilizes significant unobservable inputs, including projected cash flows, growth rates, and discount rates. As a result, the Company's investment in Windset is considered to be a Level 3 measurement investment. The change in the fair value of the Company's investment in Windset for the twelve months ended May 28, 2017 was due to the Company's 26.9% minority interest in the change in the fair market value of Windset during the period. In determining the fair value of the investment in Windset, the Company utilizes the following significant unobservable inputs in the discounted cash flow models:

	At May 28, 2017	At May 29, 2016
Revenue growth rates	4%	4%
Expense growth rates	4%	4%
Income tax rates	15%	15%
Discount rates	12%	12.5%

The revenue growth, expense growth, and income tax rate assumptions are considered the Company's best estimate of the trends in those items over the discount period. The discount rate assumption takes into account the risk-free rate of return, the market equity risk premium, and the company's specific risk premium and then applies an additional discount for lack of liquidity of the underlying securities. The discounted cash flow valuation model used by the Company has the following sensitivity to changes in inputs and assumptions (in thousands):

	Impact on value of investment in Windset as of May 28, 2017
10% increase in revenue growth rates	$ 6,900
10% increase in expense growth rates	$ (1,900)
10% increase in income tax rates	$ (600)
10% increase in discount rates	$ (4,500)

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

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

	Fair Value at May 28, 2017			Fair Value at May 29, 2016		
Assets:	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Interest rate swap (1)	$ —	$ 688	$ —	$ —	$ —	$ —
Investment in non-public company	—	—	63,600	—	—	62,700
Total	$ —	$ 688	$ 63,600	$ —	$ —	$ 62,700

(1) Recorded in Other assets.

Recent Accounting Pronouncements

Recently Adopted Pronouncements

Statement of Cash Flows

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15, *Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 clarifies how entities should classify certain cash receipts and cash payments in the statement of cash flows and amends certain disclosure requirements of ASC 230. ASU 2016-15 is intended to reduce diversity in practice with respect to eight types of cash flows including debt prepayment or debt extinguishment costs; proceeds from settlement of insurance claims; classification of cash receipts and payments that have aspects of more than one class of cash; and contingent consideration payments made after a business combination. The guidance is effective for fiscal years beginning after 15 December 2017, and interim periods within those years. Early adoption is permitted, including adoption in an interim period. The Company elected to early adopt ASU 2016-15 effective November 27, 2016. The adoption had no impact on our consolidated financial statements or related disclosures.

Debt Issuance Costs

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”). The new guidance requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, rather than as an asset, except in instances where proceeds from the related debt agreement have not been received.

In August 2015, the FASB issued ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated With Line-of-Credit Arrangements* (“ASU 2015-15”). ASU 2015-15 amends Subtopic 835-30 to clarify that the Securities and Exchange Commission would not object to the deferral and presentation of debt issuance costs as an asset and subsequent amortization of the deferred costs ratably over the term of the line of credit arrangement, regardless of whether there are any outstanding borrowings on the arrangement.

The Company adopted ASU 2015-03 and ASU 2015-15 during its first fiscal quarter ended August 28, 2016 with retrospective application to its May 29, 2016 consolidated balance sheet. The effect of the adoption of ASU 2015-03 was to reclassify total debt issuance costs of $817,000 as of May 29, 2016 as a deduction from the related debt liabilities. Accordingly, the May 29, 2016 consolidated balance sheet was adjusted as follows: (1) prepaid expenses and other current assets and total current assets were reduced by $175,000 and current portion of long-term debt and total current liabilities were reduced by the same; (2) other assets were reduced by $642,000 and long-term debt was reduced by the same; and (3) total assets were reduced by $817,000 and total liabilities were reduced by the same. There was no effect related to the adoption of ASU 2015-15 given the Company has historically presented line of credit debt issuance costs as an asset, and as such, $120,000 and $431,000 remain as prepaid expenses and other current assets and other assets, respectively, as of May 28, 2017. ASU 2015-03 and ASU 2015-15 do not impact the income statement accounting for debt issuance costs; therefore, these costs will continue to be amortized to interest expense over the term of the related debt instruments. There was no effect on net income.

Stock-Based Compensation

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (“ASU 2016-09”). The new guidance changes the accounting for certain aspects of stock-based payments to employees and requires excess tax benefits and tax deficiencies to be recorded in the income statement when the awards vest or are settled. In addition, cash flows related to excess tax benefits will no longer be separately classified as a financing activity apart from other income tax cash flows. The standard also clarifies that all cash payments made on an employee’s behalf for withheld shares should be presented as a financing activity in the Company’s consolidated statements of cash flows and provides an accounting policy election to account for forfeitures as they occur. Finally, the new guidance eliminates the requirement to delay the recognition of excess tax benefits until it reduces current taxes payable. The new standard is effective for the Company beginning May 29, 2017, with early adoption permitted.

The Company elected to early adopt the new guidance during its first fiscal quarter ended August 28, 2016. Accordingly, the primary effects of the adoption are as follows: (1) using a modified retrospective application, the Company recorded unrecognized excess tax benefits of $549,000 as a cumulative-effect adjustment, which increased retained earnings, and reduced deferred taxes by the same, (2) using a modified retrospective application, the Company has elected to recognize forfeitures as they occur and recorded a $200,000 increase to additional paid-in capital, a $126,000 reduction to retained earnings, and a $74,000 reduction to deferred taxes to reflect the incremental stock-based compensation expense, net of the related tax impacts, that would have been recognized in prior years under the modified guidance, and (3) $150,000 and $463,000 in excess tax benefits from stock-based compensation was reclassified from cash flows from financing activities to cash flows from operating activities for the fiscal years ended May 29, 2016 and May 31, 2015, respectively, in the Consolidated Statements of Cash Flows. See Note 8 – Income Taxes for further information regarding additional effects related to the prospective application of excess tax benefits and tax deficiencies related to stock-based compensation on the Company’s financial statements.

Goodwill Impairment

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). The new guidance simplifies the accounting for goodwill impairments by eliminating the requirement to compare the implied fair value of goodwill with its carrying amount as part of step two of the goodwill impairment test. As a result, under ASU 2017-04, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. However, the impairment loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for annual reporting periods beginning after December 15, 2019, including any interim impairment tests within those annual periods, with early application for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. In May 2017, the Company elected to early adopt ASU 2017- 04, and the adoption had no impact on the consolidated financial statements.

Recently Issued Pronouncements to be Adopted

Revenue Recognition

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

Currently, the Company is in the process of evaluating the impact of the adoption of ASU 2014-09. As a result, the Company has initially identified the following core revenue streams from its contracts with customers:

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

The Company's assessment efforts to date have included reviewing current accounting policies, processes, and systems requirements, as well assigning internal resources and third-party consultants to assist in the process. Additionally, the Company has begun to review historical contracts and other arrangements to identify potential differences that could arise from the adoption of ASU 2014-09. Most notably, the Company is evaluating its current conclusions with respect to gross versus net revenue reporting for its Food Export business, as well as the timing of revenue recognition for its product development contract manufacturing arrangements in its Biomaterials business, to determine whether the application of ASU 2014-09 necessitates changes to such reporting. Beyond its core revenue streams, and the items listed above, the Company is also evaluating the impact of ASU 2014-09 on certain ancillary transactions and other arrangements.

Currently, the Company cannot reasonably estimate the impact the application of ASU 2014-09 will have upon its consolidated financial statements. The Company continues to assess the impact of ASU 2014-09, along with industry trends and additional interpretive guidance, on its core revenue streams, and as a result of the continued assessment, the Company may modify its plan to adoption accordingly.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use-assets. ASU 2016-02 also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The Company will adopt ASU 2016-02 beginning in the first quarter of fiscal year 2020 on a modified retrospective basis.

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

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

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

2. Acquisition of O Olive

On March 1, 2017, the Company purchased substantially all of the assets of O Olive for $2.5 million in cash plus contingent consideration of up to $7.5 million over the next three years based upon O Olive achieving certain earnings before interest, taxes, depreciation and amortization ("EBITDA") targets. O Olive, founded in 1995, is based in Petaluma, California, and produces specialty olive oils and wine vinegars. Its products are sold in natural food, conventional grocery and mass retail stores, primarily in the United States and Canada.

The potential earn out payment up to $7.5 million is based on O Olive's cumulative EBITDA over the Company's fiscal years 2018 through 2020. At the end of each fiscal year, beginning in fiscal year 2018, the former owners of O Olive will earn the equivalent of the EBITDA achieved by O Olive for that fiscal year up to $4.6 million over the three year period. The former owners can then earn an additional $2.9 million on a dollar for dollar basis for exceeding $6.0 million of cumulative EBITDA over the three year period. During the fourth quarter of fiscal year 2017, the Company performed, with the assistance of a third party appraiser, an analysis of O Olive's projected EBITDA over the next three years. Based on this analysis the Company recorded a $5.9 million liability as of May 28, 2017, representing the present value of the expected earn out payments. For this analysis, the Company assumed that the maximum earn out of $7.5 million would be paid over the three year period with over half being earned in fiscal year 2020.

The operating results of O Olive are included in the Company's financial statements beginning March 1, 2017, in the Other segment. Included in the Company's results for O Olive for the fiscal year 2017 was $773,000 revenues and a pre-tax loss of $231,000.

Intangible Assets

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

Goodwill

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

Acquisition-Related Transaction Costs

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

3. Investment in Non-public Company

Windset

On February 15, 2011, Apio entered into a share purchase agreement (the "Windset Purchase Agreement") with Windset. Pursuant to the Windset Purchase Agreement, Apio purchased from Windset 150,000 Senior A preferred shares for $15 million and 201 common shares for $201. On July 15, 2014, Apio increased its investment in Windset by purchasing from the Newell Capital Corporation an additional 68 common shares and 51,211 junior preferred shares of Windset for $11 million. After this purchase, the Company's common shares represent a 26.9% ownership interest in Windset. The Senior A preferred shares yield a cash dividend of 7.5% annually. The dividend is payable within 90 days of each anniversary of the execution of the Windset Purchase Agreement. The non-voting junior preferred stock does not yield a dividend unless declared by the Board of Directors of Windset and no such dividend has been declared. Under the terms of the arrangement with Windset, the Company is entitled to designate one of five members on the Board of Directors of Windset.

On October 29, 2014, Apio further increased its investment in Windset by purchasing 70,000 shares of Senior B preferred shares for $7 million. The Senior B preferred shares pay an annual dividend of 7.5% on the amount outstanding at each anniversary date of the Windset Purchase Agreement. The Senior B preferred shares purchased by Apio have a put feature whereby Apio can sell back to Windset $1.5 million of shares on the first anniversary, an additional $2.75 million of shares on the second anniversary, and the remaining $2.75 million on the third anniversary. After the third anniversary, Apio may at any time put any or all of the shares not previously sold back to Windset.

The original Shareholders' Agreement between Apio and Windset included a put and call option (the "Put and Call Option"), which could be exercised on or after February 15, 2017 whereby Apio could have exercised the put to sell its common, Senior A preferred shares, and junior preferred shares to Windset, or Windset could have exercised the call to purchase those shares from Apio, in either case, at a price equal to 26.9% of the fair market value of Windset's common shares, plus the liquidation value of the preferred shares of $20.1 million ($15 million for the Senior A preferred shares and $5.1 million for the junior preferred shares). On March 15, 2017, the Company and Windset amended the Shareholders' Agreement by extending the terms of the original Put and Call Option to March 31, 2022.

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

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

The Company recorded $1.7 million, $1.7 million and $1.4 million in dividend income for the fiscal years ended May 28, 2017, May 29, 2016 and May 31, 2015, respectively. The increase in the fair market value of the Company's investment in Windset for the fiscal years ended May 28, 2017, May 29, 2016 and May 31, 2015 was $900,000, $1.2 million and $3.9 million, respectively, and is included in other income in the accompanying Consolidated Statements of Comprehensive Income (Loss).

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

4. Property and Equipment

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

	Years of Useful Life	Year Ended May 28, 2017	Year Ended May 29, 2016
Land and buildings	15 - 40	$ 86,983	$ 67,192
Leasehold improvements	3 - 20	1,190	1,620
Computers, capitalized software, machinery, equipment and autos	3 - 20	97,375	87,464
Furniture and fixtures	3 - 7	1,272	901
Construction in process		6,811	17,677
Gross property and equipment		193,631	174,854
Less accumulated depreciation and amortization		(60,411)	(53,974)
Net property and equipment		$ 133,220	$ 120,880

Depreciation and amortization expense for property and equipment for the fiscal years ended May 28, 2017, May 29, 2016 and May 31, 2015 was $9.6 million, $8.2 million and $6.2 million, respectively. Amortization related to capitalized leases, which is included in depreciation expense, was $135,000, $49,000, and zero for fiscal years ended May 28, 2017, May 29, 2016 and May 31, 2015, respectively. Amortization related to capitalized software was $414,000, $269,000, and $158,000 for fiscal years ended May 28, 2017, May 29, 2016 and May 31, 2015, respectively. The unamortized computer software costs as of May 28, 2017 and May 29, 2016 was $2.2 million and $865,000, respectively. Capitalized interest was $514,000, $487,000, and $45,000 for fiscal years ended May 28, 2017, May 29, 2016 and May 31, 2015, respectively.

5. Intangible Assets

The carrying amount of goodwill as of May 28, 2017, May 29, 2016 and May 31, 2015 was $35.5 million for the Packaged Fresh Vegetables segment, $13.9 million for the Biomaterials segment, $269,000 for the Food Export segment, and $5.2 million for the Other segment.

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

	Trademarks and Trade names	Customer Relationships	Total
Balance as of May 25, 2014	$ 48,428	$ 8,720	$ 57,148
Amortization expense	—	(885)	(885)
Balance as of May 31, 2015	48,428	7,835	56,263
Impairment during the period	(34,000)	—	(34,000)
Amortization expense	—	(867)	(867)
Balance as of May 29, 2016	14,428	6,968	21,396
Additions during the period	1,600	700	2,300
Amortization expense	—	(885)	(885)
Balance as of May 28, 2017	$ 16,028	$ 6,783	$ 22,811

Accumulated amortization of Trademarks and Trade names was $872,000 as of May 28, 2017 and May 29, 2016. Accumulated amortization of Customer Relationships as of May 28, 2017 and May 29, 2016 was $5.1 million and $4.2 million, respectively. Accumulated impairment loss was $38.8 million as of May 28, 2017 and May 29, 2016. Lifecore's Customer Relationships amount of $3.7 million is being amortized over 12 years, Apio's Customer Relationships amount of $7.5 million is being amortized over 13 years, and O Olive's Customer Relationships amount of $700,000 is being amortized over 11 years. The amortization expense for the next five fiscal years is estimated to be $949,000 per year.

6. Stockholders' Equity

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

Convertible Preferred Stock

The Company has authorized two million shares of preferred stock, and as of May 28, 2017 has no outstanding preferred stock.

Common Stock and Stock Option Plans

At May 28, 2017, the Company had 2.2 million common shares reserved for future issuance under Landec equity incentive plans.

On October 10, 2013, following stockholder approval at the Annual Meeting of Stockholders of the Company, the 2013 Stock Incentive Plan (the "Plan") became effective and replaced the Company's 2009 Stock Incentive Plan. Employees (including officers), consultants and directors of the Company and its subsidiaries and affiliates are eligible to participate in the Plan.

The Plan provides for the grant of stock options (both nonstatutory and incentive stock options), stock grants, stock units and stock appreciation rights. Awards under the Plan will be evidenced by an agreement with the Plan participants and 2.0 million shares of the Company's Common Stock ("Shares") were initially available for award under the Plan. Under the Plan, no recipient may receive awards during any fiscal year that exceeds the following amounts: (i) stock options covering in excess of 500,000 Shares; (ii) stock grants and stock units covering in excess of 250,000 Shares in the aggregate; or (iii) stock appreciation rights covering more than 500,000 Shares. In addition, awards to non-employee directors are discretionary. However, a non-employee director may not be granted awards in excess of 30,000 Shares in the aggregate during any fiscal year. The exercise price of the options is the fair market value of the Company's Common Stock on the date the options are granted. As of May 28, 2017, 1,736,729 options to purchase shares and restricted stock units ("RSUs") were outstanding.

On October 15, 2009, following stockholder approval at the Annual Meeting of Stockholders of the Company, the 2009 Stock Incentive Plan (the "2009 Plan") became effective and replaced the Company's 2005 Stock Incentive Plan. Employees (including officers), consultants and directors of the Company and its subsidiaries and affiliates were eligible to participate in the 2009 Plan. The 2009 Plan provided for the grant of stock options (both nonstatutory and incentive stock options), stock grants, stock units and stock appreciation rights. Under the 2009 Plan, 1.9 million shares were initially available for awards and as of May 28, 2017, 344,168 options to purchase shares and RSUs were outstanding.

Stock-Based Compensation Activity

Activity under all Landec equity incentive plans is as follows:

		Restricted Stock Outstanding		Stock Options Outstanding	
	RSUs and Options Available for Grant	Number of Restricted Shares	Weighted Average Grant Date Fair Value	Number of Stock Options	Weighted Average Exercise Price
Balance at May 25, 2014	2,000,000	149,300	$ 13.17	1,215,860	$ 8.45
Granted	(1,118,857)	324,357	$ 13.97	794,500	$ 14.20
Awarded/Exercised	—	(79,219)	$ 11.57	(205,419)	$ 6.55
Forfeited	—	(1,667)	$ 14.30	(2,223)	$ 14.30
Plan shares expired	—	—	—	(66,000)	$ 11.32
Balance at May 31, 2015	881,143	392,771	$ 14.15	1,736,718	$ 11.19
Granted	(443,175)	177,675	$ 12.10	265,500	$ 12.04
Awarded/Exercised	—	(32,439)	$ 13.28	(220,717)	$ 6.44
Forfeited	28,000	(11,166)	$ 14.36	(24,473)	$ 14.38
Plan shares expired	—	—	—	(25,554)	$ 9.86
Balance at May 29, 2016	465,968	526,841	$ 13.51	1,731,474	$ 11.90
Granted	(370,522)	130,522	$ 13.37	240,000	$ 11.58
Awarded/Exercised	—	(130,508)	$ 13.42	(357,639)	$ 5.93
Forfeited	59,793	(17,500)	$ 12.46	(42,293)	$ 12.16
Plan shares expired	—	—	—	—	—
Balance at May 28 2017	155,239	509,355	$ 13.53	1,571,542	$ 13.20

Upon vesting of certain RSUs and the exercise of certain options during fiscal years 2017, 2016 and 2015, certain RSUs and exercised options were net share-settled to cover the required exercise price and withholding tax and the remaining amounts were converted into an equivalent number of shares of Common Stock. The Company withheld shares with value equivalent to the exercise price for options and the employees' minimum statutory obligation for the applicable income and other employment taxes, and remitted the cash to the appropriate taxing authorities. The total shares withheld for fiscal years

2017, 2016 and 2015 were 137,089, 95,550 and 112,443 RSUs and options, respectively, which was based on the value of the option and/or RSUs on their exercise or vesting date as determined by the Company's closing stock price.

Total payments for employees' tax obligations to the taxing authorities during fiscal years 2017, 2016 and 2015 were approximately $434,000, zero and $343,000, respectively. These net-share settlements had the effect of share repurchases by the Company as they reduced and retired the number of shares that would have otherwise have been issued as a result of the vesting and did not represent an expense to the Company.

The following table summarizes information concerning stock options outstanding and exercisable at May 28, 2017:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	Number of Shares Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number of Shares Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic Value
$5.77 - $14.39	1,571,542	4.68	$ 13.20	$1,362,499	1,021,097	$ 13.40	$ 752,758

At May 28, 2017 and May 29, 2016 options to purchase 1,021,097 and 963,833 shares of Landec's Common Stock were vested, respectively, and 550,445 and 767,641 were unvested, respectively. No options have been exercised prior to being vested. The aggregate intrinsic value in the table above represents the total pretax intrinsic value, based on the Company's closing stock price of $13.65 on May 28, 2017, which would have been received by holders of stock options had all holders of stock options exercised their stock options that were in-the-money as of that date. The total number of in-the-money stock options exercisable as of May 28, 2017, was 314,091 shares. The aggregate intrinsic value of stock options exercised during the fiscal year 2017 was $2.8 million.

Option Awards

	Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (in years)	Aggregate Intrinsic Value
Vested	1,021,097	$ 13.40	4.18	752,758
Expected to vest	550,445	$ 12.83	5.61	609,741
Total	1,571,542	$ 13.20	4.68	1,362,499

As of May 28, 2017, there was $4.6 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 1.5 years for stock options and 1.4 years for restricted stock unit awards.

Stock Repurchase Plan

On July 14, 2010, the Board of Directors of the Company approved the establishment of a stock repurchase plan which allows for the repurchase of up to $10.0 million of the Company's Common Stock. The Company may repurchase its Common Stock from time to time in open market purchases or in privately negotiated transactions. The timing and actual number of shares repurchased is at the discretion of management of the Company and will depend on a variety of factors, including stock price, corporate and regulatory requirements, market conditions, the relative attractiveness of other capital deployment opportunities and other corporate priorities. The stock repurchase program does not obligate Landec to acquire any amount of its Common Stock and the program may be modified, suspended or terminated at any time at the Company's discretion without prior notice. During fiscal years 2017, 2016 and 2015, the Company did not purchase any shares on the open market.

7. Debt

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

	May 28, 2017	May 29, 2016
Term loan with JPMorgan Chase Bank ("JPMorgan"), BMO Harris Bank N,A. ("BMO"), and City National Bank ("CNB"); due in quarterly principal and interest payments of $1,250 beginning December 1, 2016 through September 23, 2021 with the remainder due on maturity, with interest based on the Company's leverage ratio at a per annum rate of the Eurodollar rate plus a spread of between 1.25% and 2.25%	$ 47,500	$ —
Real property loan agreement with General Electric Capital Corporation ("GE Capital"); due in monthly principal and interest payments of $133,060 through May 1, 2022 with interest based on a fixed rate of 4.02% per annum	—	14,167
Capital equipment loan with GE Capital; due in monthly principal and interest payments of $175,356 through May 1, 2019 with interest based on a fixed rate of 4.39% per annum	—	5,904
Capital equipment loan with GE Capital; due in monthly principal and interest payments of $95,120 through July 17, 2019 with interest based on a fixed rate of 3.68% per annum	—	5,558
Capital equipment loan with GE Capital; due in monthly principal and interest payments of $55,828 through December 1, 2019 with interest based on a fixed rate of 3.74% per annum	—	3,375
Capital equipment loan with Bank of America ("BofA"); due in monthly principal and interest payments of $68,274 through June 28, 2020 with interest based on a fixed rate of 2.79% per annum	—	3,158
Real property loan agreement with GE Capital ; due in monthly principal payments of $46,000 through March 1, 2026, plus interest payable monthly at LIBOR plus 2.25% per annum	—	7,622
Capital equipment loan with GE Capital; due in monthly principal payments of $122,000 through March 1, 2021, plus interest payable monthly at LIBOR plus 2.25% per annum	—	8,873
Capital equipment loan with BofA; due in monthly principal and interest payments of $75,000 through November 27, 2020 with interest based on a fixed rate of 2.92% per annum	—	3,940
Industrial revenue bonds ("IRBs") issued by Lifecore; due in annual payments through 2020 with interest at a variable rate set weekly by the bond remarketing agent	—	2,065
Total principal amount of long-term debt	47,500	54,662
Less: unamortized debt issuance costs	(261)	(817)
Total long-term debt, net of unamortized debt issuance costs	47,239	53,845
Less: current portion of long-term debt, net	(4,940)	(7,873)
Long-term debt, net	$ 42,299	$ 45,972

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

	Term Loan
Fiscal year 2018	$ 5,000
Fiscal year 2019	5,000
Fiscal year 2020	5,000
Fiscal year 2021	5,000
Fiscal year 2022	27,500
Thereafter	—
Total	$ 47,500

On September 23, 2016, the Company entered into a Credit Agreement with JPMorgan, BMO, and City National Bank, as lenders (collectively, the "Lenders"), and JPMorgan as administrative agent, pursuant to which the Lenders provided the Company with a $100 million revolving line of credit (the "Revolver") and a $50 million term loan facility (the "Term Loan"), guaranteed by each of the Company's direct and indirect subsidiaries and secured by substantially all of the Company's assets, with the exception of the Company's investment in Windset.

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

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

The Credit Agreement provides the Company the right to increase the Revolver commitments and/or the Term Loan commitments by obtaining additional commitments either from one or more of the Lenders or another lending institution at an amount of up to $75 million.

The Credit Agreement contains customary financial covenants and events of default under which the obligation could be accelerated and/or the interest rate increased. The Company was in compliance with all financial covenants as of May 28, 2017.

On November 1, 2016, the Company entered into an interest rate swap agreement ("Swap") with BMO at a notional amount of $50 million. The Swap has the effect of changing the Company's Term Loan obligation from a variable interest rate to a fixed 30-day LIBOR rate of 1.22%. As of May 28, 2017, the interest rate on the Term Loan was 2.72%. For further discussion regarding the Company's use of derivative instruments, see the Financial Instruments section of Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies.

In connection with the Credit Agreement, the Company incurred in fiscal year 2017 lender and third-party debt issuance costs of $897,000, of which $598,000 and $299,000 was allocated to the Revolver and Term Loan, respectively. During fiscal years 2016 and 2015, Apio capitalized $200,000 and $397,000, respectively, of debt issuance costs from new real property and equipment loans and/or amendments with General Electric Capital Corporation and Bank of America. Amortization of loan origination fees for fiscal years 2017, 2016 and 2015 were $142,000, $293,000 and $206,000 respectively.

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

As of May 28, 2017, $3.0 million was outstanding on the Revolver. As of May 28, 2017, the interest rate on the Revolver was 2.57%.

8. Income Taxes

The provision for income taxes consisted of the following (in thousands):

	Year Ended		
	May 28, 2017	May 29, 2016	May 31, 2015
Current:			
Federal	$ 1,690	$ 2,382	$ 3,480
State	57	(82)	43
Foreign	82	83	71
Total	1,829	2,383	3,594
Deferred:			
Federal	2,244	(9,177)	3,789
State	262	(610)	363
Total	2,506	(9,787)	4,152
Income tax expense (benefit)	$ 4,335	$ (7,404)	$ 7,746

The actual provision for income taxes differs from the statutory U.S. federal income tax rate of 35% for all years presented as follows (in thousands):

	Year Ended		
	May 28, 2017	May 29, 2016	May 31, 2015
Provision at U.S. statutory rate of 35%	$ 5,224	$ (6,666)	$ 7,451
State income taxes, net of federal benefit	325	(504)	566
Change in valuation allowance	85	6	353
Tax credits	(834)	(156)	(375)
Stock-based compensation	(365)	173	142
Domestic manufacturing deduction	(243)	(307)	(369)
Other	143	50	(22)
Total	$ 4,335	$ (7,404)	$ 7,746

Significant components of deferred tax assets and liabilities consisted of the following (in thousands):

	Year Ended	
	May 28, 2017	May 29, 2016
Deferred tax assets:		
Accruals and reserves	$ 3,242	$ 1,836
Net operating loss carryforwards	2,766	3,030
Stock-based compensation	2,032	1,436
Research and AMT credit carryforwards	1,050	468
Other	661	926
Gross deferred tax assets	9,751	7,696
Valuation allowance	(1,325)	(1,240)
Net deferred tax assets	8,426	6,456
Deferred tax liabilities:		
Basis difference in investment in non-public company	(11,495)	(11,125)
Goodwill and other indefinite life intangibles	(11,119)	(8,015)
Depreciation and amortization	(10,393)	(9,758)
Deferred tax liabilities	(33,007)	(28,898)
Net deferred tax liabilities	$ (24,581)	$ (22,442)

The increase in the income tax expense for fiscal year 2017 was primarily due the Company's overall net income before tax position in fiscal year 2017 in comparison to an income tax benefit position in fiscal year 2016, which was primarily due to the Company's $34 million impairment of its GreenLine trade name in fiscal year 2016, which resulted in an overall net loss before taxes for fiscal year 2016. Additionally, the effective tax rate for fiscal year 2017 decreased to 29% from 39% in fiscal year 2016.

During the fiscal year ended May 28, 2017, excess tax benefits related to stock-based compensation of $192,000 were reflected in the consolidated statements of comprehensive income as a component of income tax expense as a result of the early adoption of ASU 2016-09, specifically related to the prospective application of excess tax benefits and tax deficiencies related to stock-based compensation.

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

As of May 28, 2017, the Company had federal, Indiana, and other state net operating loss carryforwards of approximately $6.8 million, $5.7 million, and $3.0 million respectively. These losses expire in different periods through 2032 if not utilized. The Company acquired additional net operating losses through the acquisition of GreenLine in 2012. Utilization of these acquired net operating losses in a specific year is limited due to the "change in ownership" provision of the Internal Revenue Code of 1986 and similar state provisions. The net operating losses presented above for federal and state purposes is net of any such limitation.

The Company has California research and development tax credits carryforwards of approximately $1.2 million. The research and development tax credit carryforwards have an unlimited carryforward period for California purposes.

Valuation allowances are reviewed each period on a tax jurisdiction by jurisdiction basis to analyze whether there is sufficient positive or negative evidence to support a change in judgment about the realizability of the related deferred tax assets. Based on this analysis and considering all positive and negative evidence, the Company determined that a valuation allowance of $1.3 million should be recorded as a result of uncertainty around the utilization of certain state net operating losses, and a capital loss on the Company's investment in Aesthetic Sciences as it is more likely than not that a portion of the deferred tax asset will not be realized in the foreseeable future. The valuation allowance increased by an immaterial amount from the prior year primarily due to uncertainty around the utilization of certain state net operating losses and credits.

The accounting for uncertainty in income taxes recognized in an enterprise's financial statements prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and the derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	As of		
	May 28, 2017	May 29, 2016	May 31, 2015
Unrecognized tax benefits – beginning of the period	$ 842	$ 987	$ 1,035
Gross increases – tax positions in prior period	11	1	17
Gross decreases – tax positions in prior period	(90)	(223)	(141)
Gross increases – current-period tax positions	93	77	76
Lapse of statute of limitations	(319)	—	—
Unrecognized tax benefits – end of the period	$ 537	$ 842	$ 987

As of May 28, 2017, the total amount of net unrecognized tax benefits was $537,000, of which $419,000, if recognized, would affect the effective tax rate. The Company accrues interest and penalties related to unrecognized tax benefits in its provision for income taxes. The total amount of penalties and interest was not material as of May 28, 2017.

Additionally, the Company expects its unrecognized tax benefits to decrease by approximately $215,000 within the next 12 months.

Due to tax attribute carryforwards, the Company is subject to examination for tax years 2013 forward for U.S. tax purposes. The Company is also subject to examination in various state jurisdictions for tax years 1998 forward, none of which were individually material.

9. Commitments and Contingencies

Operating Leases

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

The approximate future minimum lease payments under these operating leases at May 28, 2017 are as follows (in thousands):

	Amount
Fiscal year 2018	$ 3,349
Fiscal year 2019	2,301
Fiscal year 2020	1,286
Fiscal year 2021	1,138
Fiscal year 2022	906
Thereafter	6,771
Total	$ 15,751

Rent expense for operating leases, including month to month arrangements was $5.6 million, $4.5 million and $5.0 million for the fiscal years 2017, 2016 and 2015, respectively.

Capital Leases

On September 3, 2015, Lifecore leased a 65,000 square foot building in Chaska, MN, two miles from its current facility. The initial term of the lease is seven years with two five-year renewal options. The lease contains a buyout option at any time after year seven with the purchase price equal to then mortgage balance on the lessor's loan secured by the building. Included in property, plant and equipment as of May 28, 2017 is $3.7 million associated with this capital lease. The monthly lease payment was initially $34,000 and increases by 2.4% per year. Lifecore and the lessor made capital improvements prior to occupancy and thus the lease did not become effective until January 1, 2016. Lifecore is currently using the building for warehousing and final packaging. Apio has a capital lease for office equipment for which the value of $104,000 is included in property, plant and equipment as of May 28, 2017.

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

Fiscal year 2018	$ 462
Fiscal year 2019	472
Fiscal year 2020	483
Fiscal year 2021	486
Fiscal year 2022	460
Thereafter	3,491
Total minimum lease payment	5,854
Less: amounts representing interest and taxes	(2,053)
Total	3,801
Less: current portion included in other accrued liabilities	(70)
Long-term capital lease obligation	$ 3,731

Financials

Purchase Commitments

At May 28, 2017, the Company was committed to purchase $19.1 million of produce and other materials during fiscal year 2018 in accordance with contractual terms at market rates. Payments of $32.2 million, $30.5 million and $16.8 million were made in fiscal years 2017, 2016 and 2015, respectively, under similar arrangements.

Legal Contingencies

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

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

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

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

A settlement of the ULPs among the union, Apio, and Pacific Harvest that were pending before the NLRB was approved on December 27, 2016 for $310,000. Apio was responsible for half of this settlement, or $155,000. On May 5, 2017, the parties to the remaining actions executed a Settlement Agreement concerning the discrimination/wrongful termination claims and the wage and hour claims which covers all non-exempt employees of Pacific Harvest working at Apio's Guadalupe, California processing facility from September 2011 through the settlement date. Under the settlement agreement, the plaintiffs are to be paid $6.0 million in three installments, $2.4 million of which was paid on July 3, 2017, with $1.8 million due in November 2017 and $1.8 million due in July 2018. The Company and Pacific Harvest have each agreed to pay one half of the settlement payments. The Company paid the entire first installment of $2.4 million on July 3, 2017 and will be reimbursed by Pacific Harvest for its $1.2 million portion through weekly payments until full paid. Based on our current agreement with Pacific Harvest, the Company will also pay the entire second installment of $1.8 million in November 2017, and will be reimbursed by Pacific Harvest as indicated above. The Company and Pacific Harvest will both make one half of the third installment in July 2018. The Company's recourse against non-payment by Pacific Harvest is its security interest in assets owned by Pacific Harvest.

During the twelve months ended May 28, 2017, the Company recorded a legal settlement charge of $2.6 million related to these actions. During the twelve months ended May 28, 2017 and May 29, 2016, the Company incurred legal expenses of $2.1 million and $542,000, respectively, related to these actions. As of May 28, 2017, the Company had accrued $3.2 million related to these actions, which is included in Other accrued liabilities in the accompanying Consolidated Balance Sheet.

10. Employee Savings and Investment Plans

The Company sponsors a 401(k) plan which is available to all full-time Landec employees ("Landec Plan"), allows participants to contribute from 1% to 50% of their salaries, up to the Internal Revenue Service limitation into designated investment funds. The Company matches 100% on the first 3% and 50% on the next 2% contributed by an employee. Employee and Company contributions are fully vested at the time of the contributions. The Company retains the right, by action of the Board of Directors, to amend, modify, or terminate the plan. For fiscal years 2017, 2016 and 2015, the Company contributed $1.5 million, $1.3 million and $1.2 million, respectively, to the Landec Plan.

11. Business Segment Reporting

The Company manages its business operations through three strategic business units. Based upon the information reported to the chief operating decision maker, who is the Chief Executive Officer, the Company has the following reportable segments: the Packaged Fresh Vegetables segment, the Food Export segment and the Biomaterials segment.

The Packaged Fresh Vegetables segment markets and packs specialty packaged whole and fresh-cut fruit and vegetables, the majority of which incorporate the BreatheWay specialty packaging for the retail grocery, club store and food services industry. In addition, the Packaged Fresh Vegetables segment sells BreatheWay packaging to partners for fruit and vegetable products. The Food Export segment consists of revenues generated from the purchase and sale of primarily whole commodity fruit and vegetable products predominantly to Asia. The Biomaterials segment sells products utilizing hyaluronan, a naturally occurring polysaccharide that is widely distributed in the extracellular matrix of connective tissues in both animals and humans, and non-HA products for medical use primarily in the Ophthalmic, Orthopedic and other markets. Other includes licensing and R&D activities from Landec's Intelimer polymers for agricultural products, personal care products and other industrial products and from the operations of the O Olive business from its acquisition date of March 1, 2017 through Mary 28, 2017. The Other segment also includes corporate general and administrative expenses, non-Packaged Fresh Vegetables and non-Biomaterials interest income and income tax expenses. All of the assets of the Company are located within the United States of America.

The Company's international sales by geography are based on the billing address of the customer and were as follows (in millions):

	Year Ended		
	May 28, 2017	May 29, 2016	May 31, 2015
Canada	$ 69.3	$ 80.6	$ 79.7
Taiwan	$ 30.0	$ 32.3	$ 32.1
Belgium	$ 21.0	$ 13.4	$ 6.8
China	$ 12.1	$ 8.3	$ 9.0
Indonesia	$ 8.5	$ 9.4	$ 9.0
Japan	$ 7.4	$ 6.4	$ 8.5
All Other Countries	$ 13.0	$ 17.0	$ 18.4

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

Year Ended May 28, 2017	Packaged Fresh Vegetables	Food Export	Biomaterials	Other	Total
Net sales	$ 408,021	$ 62,481	$ 59,392	$ 2,363	$ 532,257
International sales	$ 69,802	$ 62,481	$ 29,053	$ —	$ 161,336
Gross profit	$ 51,148	$ 3,974	$ 26,755	$ 1,309	$ 83,186
Net income (loss)	$ 2,722	$ 669	$ 10,228	$ (3,029)	$ 10,590
Identifiable assets	$ 211,381	$ 27,087	$ 104,492	$ 15,648	$ 358,608
Depreciation and amortization	$ 7,312	$ —	$ 3,054	$ 311	$ 10,677
Capital expenditures	$ 12,150	$ —	$ 9,902	$ 540	$ 22,592
Dividend income	$ 1,650	$ —	$ —	$ —	$ 1,650
Interest income	$ 16	$ —	$ —	$ —	$ 16
Interest expense, net	$ 674	$ —	$ 13	$ 1,139	$ 1,826
Income tax expense	$ 823	$ 189	$ 2,938	$ 385	$ 4,335
Year Ended May 29, 2016					
Net sales	$ 423,859	$ 64,181	$ 50,470	$ 2,589	$ 541,099
International sales	$ 81,242	$ 64,181	$ 21,993	$ —	$ 167,416
Gross profit	$ 40,479	$ 4,176	$ 24,081	$ 2,221	$ 70,957
Net income (loss)	$ (31,975)	$ 699	$ 9,499	$ 10,136	$ (11,641)
Identifiable assets	$ 212,524	$ 29,124	$ 98,986	$ 2,019	$ 342,653
Depreciation and amortization	$ 6,648	$ 1	$ 2,606	$ 140	$ 9,395
Capital expenditures	$ 26,892	$ —	$ 13,975	$ —	$ 40,867
Dividend income	$ 1,650	$ —	$ —	$ —	$ 1,650
Interest income	$ 46	$ —	$ 25	$ —	$ 71
Interest expense, net	$ 1,721	$ —	$ 266	$ —	$ 1,987
Income tax expense (benefit)	$ 415	$ 143	$ 1,946	$ (9,908)	$ (7,404)
Year Ended May 31, 2015					
Net sales	$ 430,415	$ 67,837	$ 40,432	$ 573	$ 539,257
International sales	$ 80,500	$ 67,714	$ 15,246	$ —	$ 163,460
Gross profit	$ 45,993	$ 4,252	$ 14,609	$ 553	$ 65,407
Net income (loss)	$ 17,145	$ 1,041	$ 3,838	$ (8,480)	$ 13,544
Identifiable assets	$ 228,672	$ 27,746	$ 85,779	$ 4,268	$ 346,465
Depreciation and amortization	$ 4,766	$ 6	$ 2,184	$ 134	$ 7,090
Capital expenditures	$ 12,895	$ —	$ 4,499	$ 117	$ 17,511
Dividend income	$ 1,417	$ —	$ —	$ —	$ 1,417
Interest income	$ 32	$ —	$ 254	$ 29	$ 315
Interest expense, net	$ 1,655	$ —	$ 174	$ —	$ 1,829
Income tax expense	$ 792	$ 48	$ 177	$ 6,729	$ 7,746

12. Quarterly Consolidated Financial Information (unaudited)

The following is a summary of the unaudited quarterly results of operations for fiscal years 2017, 2016 and 2015 (in thousands, except for per share amounts):

Fiscal Year 2017	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Revenues	$ 132,394	$ 135,865	$ 136,568	$ 127,430	$ 532,257
Gross profit	$ 21,144	$ 18,953	$ 23,432	$ 19,657	$ 83,186
Net income (loss)	$ 3,312	$ 1,326	$ 3,500	$ 2,452	$ 10,590
Net income (loss) per basic share	$ 0.12	$ 0.05	$ 0.13	$ 0.09	$ 0.39
Net income (loss) per diluted share	$ 0.12	$ 0.05	$ 0.13	$ 0.09	$ 0.38

Fiscal Year 2016	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Revenues	$ 135,355	$ 140,441	$ 129,990	$ 135,313	$ 541,099
Gross profit	$ 17,977	$ 17,265	$ 12,931	$ 22,784	$ 70,957
Net income (loss)	$ 2,952	$ 1,868	$ (21,190)	$ 4,729	$ (11,641)
Net income (loss) per basic share	$ 0.11	$ 0.07	$ (0.78)	$ 0.17	$ (0.43)
Net income (loss) per diluted share	$ 0.11	$ 0.07	$ (0.78)	$ 0.17	$ (0.43)

Fiscal Year 2015	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Revenues	$ 133,614	$ 132,665	$ 138,530	$ 134,448	$ 539,257
Gross profit	$ 14,188	$ 15,666	$ 16,885	$ 18,668	$ 65,407
Net income	$ 2,353	$ 3,223	$ 3,772	$ 4,196	$ 13,544
Net income per basic share	$ 0.09	$ 0.12	$ 0.14	$ 0.16	$ 0.50
Net income per diluted share	$ 0.09	$ 0.12	$ 0.14	$ 0.15	$ 0.50

(b) Index of Exhibits.

Exhibit Number	Exhibit Title
3.1	Certificate of Incorporation of Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K dated November 7, 2008.
3.2	Amended and Restated Bylaws of Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K dated October 16, 2012.
10.1	Form of Indemnification Agreement, incorporated herein by reference to Exhibit 10.1 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended May 29, 2005.
10.2	Industrial Real Estate Lease dated March 1, 1993 between the Registrant and Wayne R. Brown & Bibbits Brown, Trustees of the Wayne R. Brown & Bibbits Brown Living Trust dated December 30, 1987, incorporated by reference to Exhibit 10.6 to the Registrant’s Registration Statement on Form S-1 (File No. 33-80723) declared effective on February 12, 1996.
10.3#	License and research and development agreement between the Registrant and Air Products and Chemicals, Inc. dated March 14, 2006, incorporated herein by reference to Exhibit 10.63 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended May 28, 2006.
10.4	Agreement and Plan of Merger between Landec Corporation, a California corporation, and the Registrant, dated as of November 6, 2008, incorporated herein by reference to Exhibit 2.1 to the Registrant’s Current Report on Form 8-K dated November 7, 2008.
10.5*	2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated October 19, 2009.
10.6*	Form of Stock Grant Agreement for 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated October 19, 2009.
10.7*	Form of Notice of Stock Option Grant and Stock Option Agreement for 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.3 to the Registrant's Current Report on Form 8-K dated October 19, 2009.
10.8*	Form of Stock Unit Agreement for 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.4 to the Registrant's Current Report on Form 8-K dated October 19, 2009.
10.9*	Form of Stock Appreciation Right Agreement for 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.5 to the Registrant's Current Report on Form 8-K dated October 19, 2009.
10.10	Loan agreements by and between the Registrant, Apio, Inc. and General Electric Capital Corporation dated April 23, 2012, incorporated herein by reference to Exhibits 10.1 through 10.9 to the Registrant’s Current Report on Form 8-K dated May 27, 2012.
10.11	Credit Agreement and Reimbursement Agreement by and between Lifecore Biomedical, LLC and BMO Harris Bank N.A. dated May 23, 2012, incorporated herein by reference to Exhibits 10.1 and 10.2 to the Registrant’s Current Report on Form 8-K dated May 29, 2012.
10.12*	Nonqualified Deferred Compensation Plan, incorporated herein by reference to the Registrant’s Current Report on Form 8-K dated July 31, 2013.
10.13*	2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated October 11, 2013.

Exhibit Number	Exhibit Title
10.14*	Form of Stock Grant Agreement for 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated October 11, 2013.
10.15*	Form of Notice of Stock Option Grant and Stock Option Agreement for 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.3 to the Registrant's Current Report on Form 8-K dated October 11, 2013.
10.16*	Form of Stock Unit Agreement for 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.4 to the Registrant's Current Report on Form 8-K dated October 11, 2013.
10.17*	Form of Stock Appreciation Right Agreement for 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.5 to the Registrant's Current Report on Form 8-K dated October 11, 2013.
10.18*	Employment Agreement between the Registrant and Gary T. Steele effective as of May 26, 2014, incorporated herein by reference to Exhibit 10.35 to the Registrant’s Current Report on Form 8-K dated June 23, 2014.
10.19	Second Amendment to Credit Agreement dated July 17, 2014 among Apio, Inc., Cal-Ex Trading Company, GreenLine Logistics, Inc. and General Electric Capital Corporation, incorporated herein by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K dated July 21, 2014.
10.20	First Amendment to Loan Agreement dated as of August 28, 2014 among Apio, Inc., Apio Cooling LP and General Electric Capital Corporation, incorporated herein by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K dated September 2, 2014.
10.21	Promissory Note dated as of August 28, 2014 by Apio, Inc., payable to GE Capital Commercial, Inc., incorporated herein by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K dated September 2, 2014.
10.22	Third Amendment to Credit Agreement dated as of August 28, 2014 among Apio, Inc., Cal-Ex Trading Company, GreenLine Logistics, Inc. and General Electric Capital Corporation, incorporated herein by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 8-K dated September 2, 2014.
10.23	Second Amendment to Loan Agreement dated as of November 24, 2014 among Apio, Inc., Apio Cooling LP and General Electric Capital Corporation, incorporated herein by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K dated December 3, 2014.
10.24	Promissory Note dated as of November 24, 2014 by Apio, Inc., payable to GE Capital Commercial, Inc., incorporated herein by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K dated December 3, 2014.
10.25	Proposal Letter dated April 2, 2015 between Banc of America Leasing & Capital, LLC, Apio, Inc. and Landec Corporation, incorporated herein by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K dated May 21, 2015.
10.26	Master Loan and Security Agreement dated as of May 7, 2015 between Apio, Inc. and Banc of America Leasing & Capital, LLC, incorporated herein by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K dated May 21, 2015.
10.27	Form of Equipment Security Note between Apio, Inc. and Banc of America Leasing & Capital, LLC, incorporated herein by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 8-K dated May 21, 2015.
10.28	Commitment Letter dated May 15, 2015 between General Electric Capital Corporation and Apio, Inc., incorporated herein by reference to Exhibit 10.5 to the Registrant’s Current Report on Form 8-K dated May 21, 2015.

Exhibit Number	Exhibit Title
10.29	Equipment Security Note dated May 29, 2015 by Apio, Inc., payable to Banc of America Leasing & Capital, LLC incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated June 3, 2015.
10.30	Fourth Amendment to Credit Agreement dated as of May 27, 2015 among Apio, Inc., Cal-Ex Trading Company, GreenLine Logistics, Inc. and General Electric Capital Corporation, incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated June 3, 2015.
10.31	Progress Payment Agreement dated as of September 28, 2015 between Apio, Inc. and GE Capital Corporation, incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated October 2, 2015.
10.32*	Employment Agreement between the Registrant and Gregory S. Skinner effective as of October 15, 2015, incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated October 21, 2015.
10.33*	Employment Agreements between the Registrant and Molly A. Hemmeter effective as of October 15, 2015, incorporated herein by reference to Exhibits 10.1 and 10.2 to the Registrant's Current Report on Form 8-K dated October 21, 2015.
10.34	Press Release dated February 26, 2016 describing the material impairment of the Registrant's GreenLine trademark incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated February 26, 2016.
10.35	Loan Agreement dated February 26, 2016 between the Registrant, Apio, Inc., Apio Cooling LP and CF Equipment Loans LLC (successor-in-interest to General Electric Capital Corporation) incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated March 3, 2016.
10.36	Promissory Note dated February 26, 2016 issued by Apio to CF Equipment Loans, LLC, incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated March 3, 2016.
10.37	Promissory Note dated February 26, 2016 issued by Apio to CF Equipment Loans, LLC, incorporated herein by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated March 3, 2016.
10.38	Guaranty dated February 26, 2016 between the Registrant and CF Equipment Loans, LLC, incorporated herein by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K dated March 3, 2016.
10.39	Credit Agreement and Pledge and Security Agreement by and between the Registrant, and JPMorgan Chase Bank, N.A., BMO Harris Bank N.A., and City National Bank, dated September 23, 2016, incorporated herein by reference to Exhibits 10.1 and 10.2 to the Registrant's Current Report on Form 8-K dated September 29, 2016.
10.40	Long-Term Incentive Plan for Fiscal Year 2019, incorporated herein by reference to Registrant's Current Report on Form 8-k dated October 25, 2016.
10.41	Settlement Agreement amongst the Registrant, Apio, Inc., Rancho Harvest, Inc. and Pacific Harvest, Inc. and the plaintiffs named therein and Addendum to the Settlement Agreement effective as of May 5, 2017, incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated May 10, 2017.

21.1	Subsidiaries of the Registrant at May 28, 2017	State of Incorporation
	Apio, Inc.	Delaware
	Lifecore Biomedical, Inc.	Delaware

Financials

Exhibit Number	Exhibit Title
23.1+	Consent of Independent Registered Public Accounting Firm
24.1+	Power of Attorney – See signature page
31.1+	CEO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
31.2+	CFO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1+	CEO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
32.2+	CFO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation
101.DEF**	XBRL Taxonomy Extension Definition
101.LAB**	XBRL Taxonomy Extension Labels
101.PRE**	XBRL Taxonomy Extension Presentation

* Represents a management contract or compensatory plan or arrangement required to be filed as an exhibit to this report pursuant to Item 15(b) of Form 10-K.

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

+ Filed herewith.

Confidential treatment requested as to certain portions. The term “confidential treatment” and the mark “*” as used throughout the indicated Exhibit means that material has been omitted.

SIGNATURES

Pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Menlo Park, State of California, on August 10, 2017.

LANDEC CORPORATION

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

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Molly A. Hemmeter and Gregory S. Skinner, and each of them, as his attorney-in-fact, with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorney to any and all amendments to said Report on Form 10-K.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Molly A. Hemmeter Molly A. Hemmeter	President and Chief Executive Officer and Director (Principal Executive Officer)	August 10, 2017
/s/ Gregory S. Skinner Gregory S. Skinner	Vice President Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	August 10, 2017
/s/ Albert D. Bolles, Ph.D Albert D. Bolles, Ph.D	Director	August 10, 2017
/s/ Debbie Carosella Debbie Carosella	Director	August 10, 2017
/s/ Frederick Frank Frederick Frank	Director	August 10, 2017
/s/ Steven Goldby Steven Goldby	Director	August 10, 2017
/s/ Tonia Pankopf Tonia Pankopf	Director	August 10, 2017
/s/ Catherine A. Sohn Catherine A. Sohn	Director	August 10, 2017
/s/ Gary T. Steele Gary T. Steele	Director	August 10, 2017
/s/ Robert Tobin Robert Tobin	Director	August 10, 2017

EXHIBIT INDEX

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32.2	CFO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

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

Deborah Carosella
Retired CEO,
Madhava Natural Sweeteners

Frederick Frank
Chairman of the Board,
Evolution Life Sciences Partners

Steven Goldby
Partner,
Venrock

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

Tonia Pankopf
Managing Partner,
Pareto Advisors, LLC

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

Gary T. Steele
Retired CEO,
Landec Corporation

Robert Tobin
Retired CEO,
Ahold USA

CORPORATE MANAGEMENT

Molly A. Hemmeter
President and Chief Executive Officer

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

Ronald L. Midyett
Chief Operating Officer

Larry D. Hiebert
President,
Lifecore Biomedical, Inc.

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

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
San Francisco, CA

CORPORATE COUNSEL

King & Spalding LLP
San Francisco, CA

STOCKHOLDERS' INFORMATION

Transfer Agent and Registrar
The stock transfer agent and registrar for Landec Corporation is Broadridge. Stockholders who wish to transfer their stock, or change the name in which the shares are registered, should contact:

Broadridge Corporate Issuer Solutions, Inc.
PO Box 1342
Brentwood, NY 11717
800-733-1121

CORPORATE HEADQUARTERS

Landec Corporation
3603 Haven Avenue
Menlo Park, CA 94025-1010
650-306-1650

STOCK LISTING

The Company's common stock is traded on the Nasdaq Global Select Market under the symbol LNDC. The Company has filed an annual report on Form 10-K with the Securities and Exchange Commission. Stockholders may obtain a copy of this report and Form 10-K without charge by writing the Company at:

3603 Haven Avenue
Menlo Park, CA 94025
Attn: Investor Relations

Except for the historical information contained here, the matters discussed in the enclosed materials are forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ materially including risks detailed from time to time in the Company's filings with the Securities and Exchange Commission.

TRADEMARKS

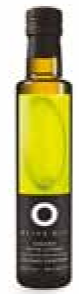
The following are some of the official trademarks and service marks of the Landec Corporation and its subsidiaries:

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

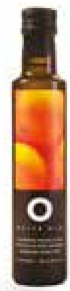
Windset Farms® is a registered trademark of Greenhouse Grown Foods Inc.

OLIVE OILS

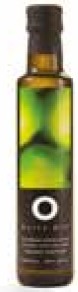
Meyer Lemon



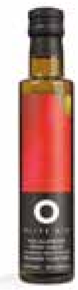
Blood Orange



Tahitian Lime

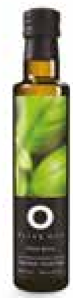


Jalapeño Garlic



Roasted Garlic

Fresh Basil



California Premium Extra Virgin

California Organic Extra Virgin

VINEGARS

Champagne

Sherry

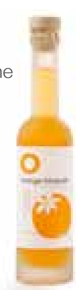
Citrus Champagne

White Balsamic

California Balsamic

Fig Balsamic

Orange Blossom Champagne



Tarragon Champagne

Honey White Balsamic

Cabernet

Yuzu Rice

Pomegranate Champagne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