LANDEC

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Landec Corporation Agrees to Settle Labor Related Legal Actions and Updates Guidance

Settlement Covers All Potential Past Wage and Hour Claims

MENLO PARK, Calif., March 28, 2017 (GLOBE NEWSWIRE) -- Landec Corporation (NASDAQ:LNDC), a leading innovator of diversified health and wellness solutions within the packaged natural food and biomaterial markets, announced today that Apio, Inc., Landec's food subsidiary ("Apio"), has reached an agreement in principle to settle a variety of claims made against the Company and its labor contractor.

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, bringing dozens of legal actions before various state and federal agencies, the California Superior Court, and initiating over 100 individual arbitrations against Apio and Pacific Harvest (the "Actions").

For over 15 years, Apio has retained Pacific Harvest, a contract labor provider, to manage all aspects of hourly labor requirements within its Guadalupe, California manufacturing facility, including recruiting, hiring, daily management, payroll processing and employee benefits administration. In August 2015, one month before the first lawsuit was filed against Apio and Pacific Harvest, the National Labor Relations Board (NLRB) held in the Browning-Ferris Industries decision that employees of a labor contractor may be considered to be de facto employees of the company who engaged the labor contractor. As a result, rather than being shielded from these type of lawsuits as in the past, Apio may now be considered a joint employer and therefore may be jointly liable with Pacific Harvest, even though the employees who filed the claims are employees of Pacific Harvest. Starting in January of this year, Apio assumed the responsibilities for all human resource activities, employee management and employee documentation while still using Pacific Harvest for recruiting, payroll processing and securing employee benefits for the plant employees.

The Actions consist of three main types of claims: (1) Unfair Labor Practice claims ("ULPs") before the 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.

Financial Implications
A settlement of the ULP claims among the NLRB, 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 or this settlement or $155,000. Concerning the discrimination/wrongful termination claims and the wage and hour claims, in order to avoid the time and expense of further litigation and without admission of liability, the parties have agreed in principle to a class action settlement which covers all non-exempt employees of Pacific Harvest working at Apio's Guadalupe, California facility. This settlement remains subject to all of the plaintiffs executing the settlement agreement, and the settlement agreement being approved by the Santa Barbara County Superior Court. Under the Settlement Agreement, the plaintiffs will be paid in three installments: $2.4 million in April 2017, $1.8 million in November 2017 and $1.8 million in July 2018. Apio is responsible for half of these payments with Pacific Harvest responsible for the other half.

Based on the initial number of claims and the initial length of time covered by the claims, Apio had recorded a legal settlement contingency accrual of $1.3 million as of November 27, 2016, which Apio believed was sufficient to resolve its share of the costs of the Actions prior to the significant increase in the number of potential claims and the number of past years covered in the final settlement.

As a result of the class action settlement, during the third quarter ended February 26, 2017, Apio will be recording an additional legal settlement charge of $2.1 million, or $0.05 per share after tax, for its one-half of the settlement obligation, bringing the total legal settlement charge for fiscal year 2017 to $2.6 million and the accrual to $3.0 million as of February 26, 2017. During the first nine months of fiscal 2017, Apio had incurred $1.7 million of legal defense expenses related to the Actions, bringing the total expenses associated with these Actions during fiscal 2017 to $4.3 million, or $0.10 per share after taxes.

Importantly, by settling on a class-wide basis, the number of individuals who will be releasing their claims is significantly higher and the length of time covered by the settlement increased from one year to four years. As a result, this settlement allows Apio to avoid millions of dollars of legal fees to arbitrate and individually try all of these matters over the next several years.

"We are very pleased that these legal actions are now behind us and that we are able to settle these Actions as a class rather than having to arbitrate over 100 cases individually which could have taken several years," stated Ron Midyett, Landec's COO. "To prevent Apio from being subjected to such litigation in the future, Apio has taken over all of the responsibilities of human resources for the plant employees and has established a new set of more stringent policies and procedures including monitoring payroll processing on a weekly basis."

Guidance Update

Molly Hemmeter, Landec's President and CEO, stated, "From an operational standpoint, for the third quarter of fiscal 2017, we are reiterating our revenue guidance of $133 million to $140 million and we are reiterating our net income guidance of $0.16 to $0.19 per share, prior to the $2.1 million additional legal settlement charge.

Regarding our fourth quarter of fiscal 2017 ended May 28th, the heavy rains this winter have damaged crops, reduced yields both in the field and in our processing facilities, and have impeded our growers' ability to plant fields during January and February which will result in shortages of key vegetable crops during our fiscal fourth quarter. As a result, we now expect our revenues in the fourth quarter to be $134 million to $137 million and net income to be $0.09 to $0.11 per share. As of now, we do not expect the heavy rains this winter to have a negative impact on our financial results in fiscal 2018."

About Landec Corporation

Landec Corporation (NASDAQ:LNDC) is a leading innovator of diversified health and wellness solutions within the packaged natural food and biomaterial markets. Apio, Landec's food business, is the leader in branded, packaged fresh vegetables in North America, utilizing its proprietary BreatheWay® packaging technology to naturally extend the shelf life of fresh produce. Apio combines this technology with the capabilities of a large national fresh produce supplier to offer healthy fresh vegetable products under the Eat Smart® brand to consumers through club and retail grocery stores. Landec recent acquisition, O Olive Oil, Inc., offers organic and natural olive oils and vinegars under the *O* brand. Lifecore Biomedical, Landec's biomaterial business, is a fully integrated Contract Development and Manufacturing Organization (CDMO) that offers expertise and capabilities in fermentation, specialty formulation, aseptic filling and final packaging for FDA regulated medical devices and drugs to customers for applications in a wide array of markets including Ophthalmic, Orthopedic and Oncology. For more information about the company, visit Landec's website at www.landec.com.

Important Cautions Regarding Forward-Looking Statements

Except for the historical information contained herein, the matters discussed in this news release are forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ materially, including such factors among others, as the timing and expenses associated with operations, the ability to achieve acceptance of the Company's new products in the market place, weather conditions that can affect the supply and price of produce, the amount and timing of research and development funding and license fees from the Company's collaborative partners, the timing of regulatory approvals, the mix between domestic and international sales, and the risk factors listed in the Company's Form 10-K for the fiscal year ended May 29, 2016 (See item 1A: Risk Factors) which may be updated in Part II, Item 1A Risk Factors in the Company's Quarterly Reports on Form 10-Q. As a result of these and other factors, the Company expects to continue to experience significant fluctuations in quarterly operating results and there can be no assurance that the Company will remain consistently profitable. The Company undertakes no obligation to update or revise any forward-looking statements whether as a result of new developments or otherwise.

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