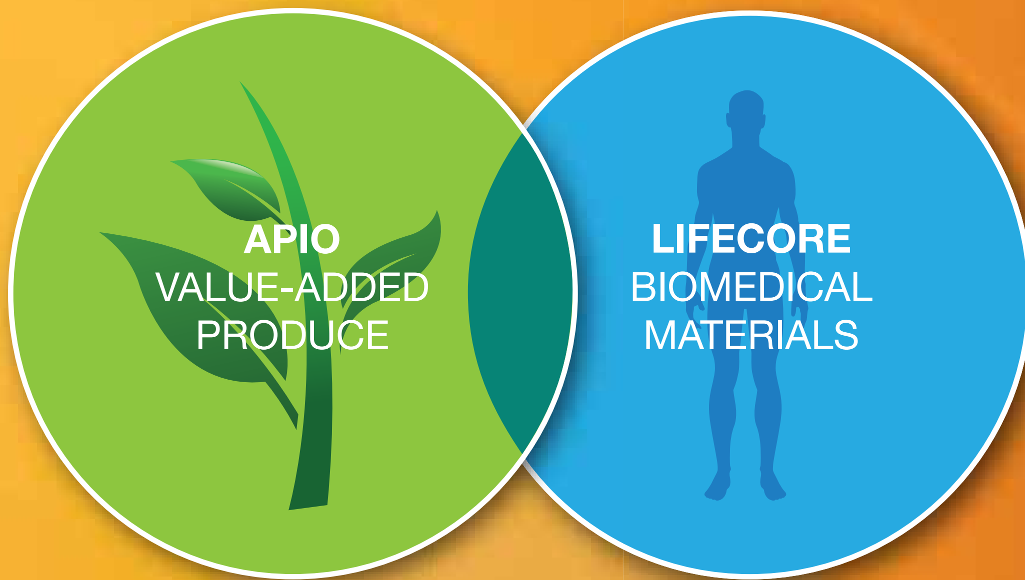
Innovations for Healthy Living



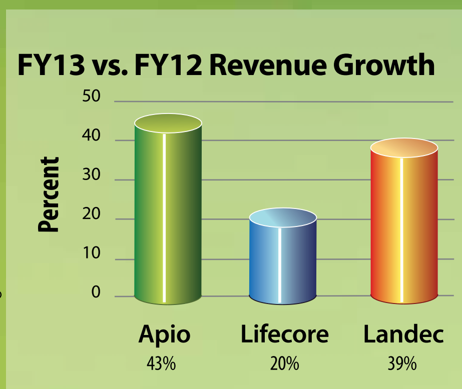
LANDEC

2013
Annual Report

Landec® is focused on developing new products that promote healthy living. By continuing to invest in innovation within its core businesses of packaged fresh produce and biomedical materials, Landec is creating value for customers and driving growth for shareholders.

Investing in Growth

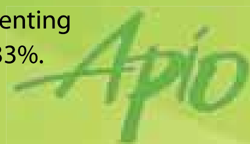
In FY13, Landec invested broadly to enable growth in its core businesses through three primary growth drivers: (1) the introduction of innovative, healthy new food products in its fresh-cut packaged produce business under Apio's™ Eat Smart® and GreenLine® brands, (2) the integration of GreenLine with Apio to realize synergies from nationwide processing and distribution as well as new cross-selling opportunities, and (3) the addition of new products at Lifecore® that improve overall quality of life.



Landec invested $18.2mm in FY13 to drive growth within its core businesses, including $9.3mm in new product development initiatives and $8.9mm in new capital equipment. As a result of these investments and similar past investments, Landec grew FY13 revenues to $442mm, representing a 39% year-over-year increase. In addition, Landec realized $1.8mm in synergy cost savings resulting from the integration of GreenLine into Apio's operations.

Value-Added Produce

Landec's wholly-owned subsidiary, Apio, Inc., utilizes Landec's BreatheWay® packaging technology to naturally extend the shelf life of fresh produce and has become a leader in fresh-cut, specialty packaged vegetables in North America. In FY13, Apio achieved revenues of $399mm, representing a 43% year-over-year growth, and generated $26.6mm in pre-tax income,(i) representing 34% year-over-year growth. This growth was primarily a result of three strategic initiatives. In April 2012, Apio acquired GreenLine Holding Company, the number one processor and marketer of value-added, fresh-cut green beans in North America. FY13 included the first full year of GreenLine financial contributions to Apio. In addition, Apio's investments in new product development during FY12 paid off in FY13, with its new *Sweet Kale Salad* being well received by consumers. Due to its success, Apio is expanding its plant capacity in FY14 to keep up with demand for this product and other new products in the pipeline. Finally, Apio's equity investment in its strategic licensing partner, Windset Farms,® contributed $9.2mm in pre-tax net income, representing a year-over-year increase of 33%.



Biomedical Materials

Landec's wholly-owned subsidiary, Lifecore Biomedical, Inc., is a premium provider of the biopolymer hyaluronan (HA) with a leadership position in ophthalmology. Since being acquired by Landec in April 2010, Lifecore continues to generate attractive margins and strong growth prospects. Lifecore delivered $41mm in revenues in FY13, a year-over-year increase of 20%, and generated $9.4mm(ii) in pre-tax income, representing a 23% year-over-year growth. Utilizing its proprietary manufacturing capabilities, strong regulatory know-how and long-term partner relationships, Lifecore continues to grow its business with existing and new partners as it pursues diverse medical opportunities which leverage its specialized core competencies.

(i) Before intercompany charges and a $3.9mm non-recurring expense reduction associated with the earn-out adjustment from the GreenLine acquisition.

(ii) Before intercompany charges.

FY2013 Financial Overview

Growth Through Innovation

Fiscal Year	2010	2011	2012	2013	3-year CAGR
Revenue	$238mm	$277mm	$318mm	$442mm	23%
EPS	$0.29[(i)]	$0.33[(ii)]	$0.49	$0.70[(iii)]	34%
Cash From Operations	$7.5mm	$14.5mm	$22.2mm	$21.2mm	41%

Revenue Growth from Core Businesses

Total Assets	$291mm
R&D Investment	$9.3mm
Employees	526
U.S. Patents Issued:	41

LEGEND:
Lifecore Biomedical (core)
Apio Value-Added (core)
Apio Export
Landec Licensing

For FY13, Landec increased revenues 39% to $442mm from $318mm in FY12. The $124mm increase was primarily due to growth at Apio, with a $113mm increase in its Value-Added Food Technology business, including an $86mm increase in GreenLine revenues (Apio owned GreenLine for 5 weeks in FY12). Lifecore revenues increased $7mm, representing a year-over-year increase of 20% due to the introduction of new products while Apio's Food Export business increased $7mm, for a 10% year-over-year increase.

Landec's net income continues to grow as a result of increasing overall revenues and its investment in Windset Farms. In FY13 Apio's pre-tax income benefited from an $8.1mm increase in the fair market value of its investment in Windset Farms and $1.1mm in dividends from its Windset Farms preferred stock ownership. The $9.2mm total from Windset represents a 33% increase over the pre-tax income of $6.9mm received from Windset in FY12.

As a result of strong revenue and net income growth in FY13, Landec EPS achieved a year-over-year increase of 43%, growing from $0.49 to $0.70.[(iii)] In addition, Landec continues to deliver strong cash flow from operations.

Moving forward in FY14, Landec is focused on growing its core businesses through the following priorities: (1) expanding capacity at Apio and Lifecore in order to meet current and future demand, (2) continuing to integrate GreenLine into Apio's operations, (3) growing Apio's business by launching new products and adding new customers, and (4) growing Lifecore's business by expanding services and products with existing customers, as well as utilizing its manufacturing capabilities to expand into new partnerships.

(i) Before $3.7mm of non-recurring expenses associated with the acquisition of Lifecore and an impairment charge for our investment in Aesthetic Sciences Corporation.

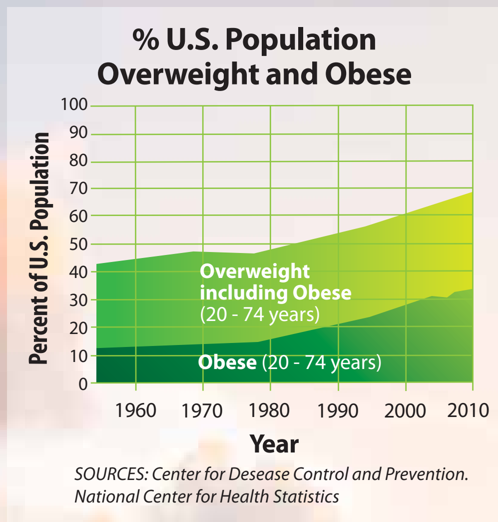
(ii) Before a $4.8mm non-recurring expense associated with the goodwill impairment charge for Landec Ag prior to its sale to INCOTEC® Coating and Seed Technology Companies in June 2012.

(iii) Before a $3.9mm non-recurring expense reduction associated with the earn-out adjustment from the GreenLine acquisition.

Innovations For Healthy Living

Value-Added Vegetables = Healthy Living

Obesity has grown dramatically in the US. In 1962, obesity in the US was estimated at 13% of the US population.[i] In 2010, the Centers for Disease Control and Prevention (CDC) reported 35.7% of American adults and 17% of American children as obese.[ii]



Obesity has been cited as a contributing factor in approximately 100,000 – 400,000 deaths in the United States,[iii] costing society an estimated $117 billion.[iv] This exceeds healthcare costs associated with smoking or problem drinking[v] and accounts for 6% to 12% of national healthcare expenditures in the United States.[vi]

With a commitment to delivering high quality, fresh vegetable products in convenient formats throughout the US and Canada, Apio makes it easier for people to eat healthy. Apio offers a wide variety of products within the Eat Smart and GreenLine brands, such as ready-to-use vegetables, vegetable blends, stir fry products, vegetable slaws and vegetable salad kits. Trays provide a convenient grab-and-go format for snacking or entertaining, while many of our bagged vegetable products can be placed directly in the microwave to quickly steam-and-serve for any meal.

Apio realizes that it can be difficult to eat healthy if the food does not taste appealing. Apio strives to combine health and convenience with great taste. With recipes on the back of our bags and easily accessible on our website, Apio provides a wide variety of delicious ways to eat vegetables. Our new vegetable salad kits even go a step further. We pair a wide variety of superfoods with delicious dressings to deliver healthy salads that taste great – with everything you need in the bag.

Apio's proprietary BreatheWay technology naturally extends the shelf life of our value-added products. As a result, we can deliver the highest quality products to geographic areas that others cannot. This patented technology combined with geographically disperse sourcing capabilities, nationwide processing centers and a dedicated distribution network, ensures that consumers have access to products that can contribute to a healthy lifestyle.

Apio is the leader in value-added, fresh-cut vegetables to retail and club stores throughout North America and is committed to providing consumers with healthy foods that are convenient to use and taste great. Diets that include fruits and vegetables are rich in fiber and have many health benefits. Not only do they help reduce the risk of obesity, but they may also contribute to reducing the risk of heart disease, type 2 diabetes and other chronic health diseases.

(i) "Obesity", Wikipedia, retrieved 2013-06-05; Early Release of Selected Estimates Based on Data from the 2004 National Health Interview Survey, CDC, NCHS, 2005-06-21, retrieved 2008-03-15.

(ii) "Obesity", Wikipedia, retrieved 2013-06-05; National Obesity Trends, CDC, NCHS, 2010, retrieved 2012-03-26.

(iii) "Obesity", Wikipedia, retrieved 2013-06-05; Blackburn, G L; Walker, W A (July 1, 2005), Science-based solutions to obesity: What are the roles of academia, government, industry, and health care?, The American journal of clinical nutrition (American Society for Clinical Nutrition) 82 (1): 207–210, PMID 16002821.

(iv) "Obesity", Wikipedia, retrieved 2013-05-05; Statistics related to overweight and obesity: Economic costs related to overweight and obesity, Weight-control Information Network, 2006, retrieved 2009-02-22.

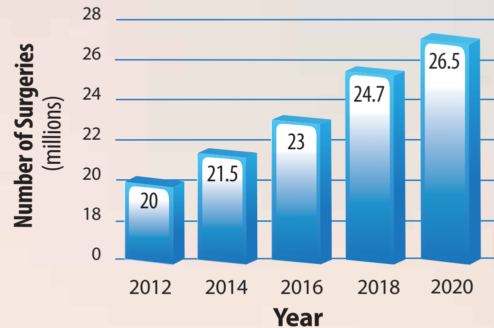
Biomedical Materials = Improved Quality of Life

Demographic trends over the coming years will provide a basis for growth opportunities within Lifecore's business. In 2012, the number of people worldwide over the age of 60 years was estimated at 819 million; in 2020 the United Nations expects that number to grow to over one billion and represent almost 14% of the total population.[i] In the US, life expectancy has grown from age 71 in 1970 to age 79 in 2012.[ii]

As baby boomers enter the ranks of the elderly, they have higher lifestyle expectations than past generations. They want to live more active lives in their later years. Specifically relevant to Lifecore's business, they have higher expectations for vision improvement. Cataracts are the leading cause of reversible blindness and visual impairment worldwide, with 85% of all cataract conditions being age-related.[iii] Cataract surgery involves removing the clouded, natural lens and replacing it with an intraocular lens (IOL). Today, an estimated 20 million cataract surgeries are performed worldwide and this is expected to increase at a compounded annual growth rate of 3.6%.[i]

Lifecore Biomedical is well positioned to serve a critical role in supporting the worldwide growth of cataract surgeries due to its strong alignment with the ophthalmic market leaders that service this medical segment.

Projected Number of Worldwide Cataract Surgeries to be Performed



SOURCE: 2012 Global Single-Use Ophthalmic Surgical Products Market; Market Scope, LLC

Lifecore's fermentation process produces pharmaceutical grade hyaluronan (HA). HA is a naturally occurring polysaccharide that is found in the extracellular matrix of connective tissues in the body, especially within the humor of the eye, synovial fluid of the joints, skin and the umbilical cord. Lifecore produces biocompatible HA in its medical grade facility, where it can then be aseptically filled into a syringe for distribution and use as a medical device.

During cataract surgery, the ophthalmologist creates a small incision in the cornea so that the clouded lens can be removed and a new IOL implant can be inserted. In order to protect the anterior chambers of the eye during this process, Lifecore's HA-based viscoelastic is injected. Because Lifecore HA is biocompatible, it is an ideal substance to provide protection and cushioning for the eye during surgery.

Established in the ophthalmic market, Lifecore has expanded its products and services into other medical markets requiring biocompatible materials for treatments. Lifecore HA is used as a carrier for demineralized bone during spinal fusion surgery and bone defect fillings, as a key ingredient in aesthetic dermal fillers, as a treatment for the symptoms of osteoarthritis, as well as in the veterinary market as a treatment for equine traumatic osteoarthritis. Lifecore has used its expertise in handling viscous solutions of HA to provide manufacturing services for other difficult-to-fill injectable pharmaceuticals. Lifecore offers a full range of services to its partners, including product development, technology transfer services, fill-and-finish capabilities, and global regulatory expertise.

Overall, Lifecore has built a broad platform of product and service offerings that addresses existing and emerging patient needs which aim to improve the quality of life. Lifecore has established long-standing partnerships with many market leaders in multiple medical segments who provide the expertise and resources to deliver the product to the end user.

LIFECORE
BIOMEDICAL

(i) 2012 Global Single-Use Ophthalmic Surgical Products Market; Market Scope, LLC; 2012.

(ii) U.S. Census Bureau, Statistical Abstract of the United States, Table 104; 2012.

(iii) World Health Organization and International Agency for the Prevention of Blindness; Developing an Action Plan to Prevent Blindness at National, Provincial and District Levels; Version Two Published 2004.

Apio FY2013 Highlights

FY13	
Revenue:	$399mm
Adjusted Pre-tax Income:	$26.6mm
Year-over-year Revenue Growth:	43%
Year-over-year Adjusted Pre-tax Income Growth:	34%

For FY13, Apio's growth clearly reflects Landec's continued commitment to focus investment dollars and operational resources within its core businesses.

On April 23, 2012, Apio acquired GreenLine Holding Company, the leading processor, distributor and marketer of value-added green beans in North America. This acquisition strengthened Apio's overall competitive position in the value-added produce industry with the addition of synergistic distribution and processing capabilities, product offerings, channels of distribution and customers. FY13 was the first full year that Apio was able to benefit from GreenLine performance. The Apio team worked diligently to realize $1.8mm in synergy savings, exceeding the $1.5mm target.

Overall, Apio's FY13 revenues were $399mm, an increase of 43% over FY12 revenues of $279mm. This increase was driven by a $27mm increase in Apio's non-GreenLine value-added business, which was a result of selling new products to existing customers, adding new distribution and category growth. An additional $86mm of growth came from GreenLine revenues for its first full year under Landec ownership and $7mm was a result of growth in Apio's export business. Apio's FY13 adjusted operating income grew 44% from $13.4mm to $19.3mm, primarily as a result of the acquisition of GreenLine and growth in Apio's value-added and export businesses.

A continued increase in the value of Apio's investment in Windset Farms contributed to the increase in Apio's adjusted pre-tax net income before intercompany charges from $19.8mm last year to $26.6mm in FY13. In April 2011, Apio invested in Windset Farms, a hydroponic greenhouse grower of high quality produce, a business that is not susceptible to the typical downside growing risks from unpredictable adverse weather conditions.

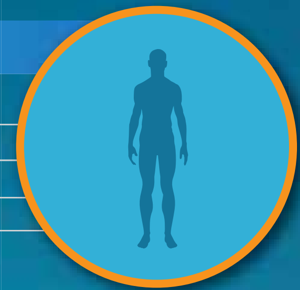
From Apio's investment of $15mm for a 20.1% ownership investment in Windset, Apio receives a 7.5% annual dividend and a 20.1% share of the increase in fair market value of Windset, which combined contributed $9.2mm to pre-tax income in FY13. When combined with the $8.0mm of pre-tax income received in FY11 and FY12, Apio has thus far realized a ROI of 115% on this investment.

Apio did experience some significant challenges in FY13 with weather-related issues and sourcing. A drought in Ohio during Q1 affected green bean supply, excessive rains affected crops in California during Q3 and a freeze in central Florida during Q4 further impacted green bean supply. Although these negative variances were somewhat offset by other positive sourcing variances, FY13 overall gross margins did decline as a result of adverse weather.

During FY14, Apio will remain focused on further integrating GreenLine to offer one-order, one-delivery service to selected customers to gain sales synergies, assisting Windset in doubling its California greenhouse growing capacity and growing its existing value-added produce business by continuing to launch new products.

LIFECORE FY2013 HIGHLIGHTS

FY13	
Revenue:	$41.3mm
Pre-tax Income:	$9.4mm
Year-over-year Revenue Growth:	20%
Year-over-year Pre-tax Income Growth:	23%



Lifecore estimates that over 50 million patients have benefited from the use of Lifecore HA during cataract surgery over the last 25 years. The number of cataract surgeries are projected to increase in the future, as the number of people over the age of 60 continues to grow.

Lifecore Biomedical is a premium supplier of hyaluronan (HA) and aseptic fill-and-finish services for use in medical applications. For FY13, Lifecore had revenues of $41mm and pre-tax income before intercompany charges of $9.4mm, compared to $34mm and $7.7mm for FY12. The growth at Lifecore was primarily attributed to the FDA approval of partner products containing Lifecore HA in late FY12 and early FY13. Lifecore worked closely with its partners during FY13 to commercialize these products. Lifecore also advanced new partner opportunities during the year that are intended to leverage Lifecore's unique fermentation and aseptic filling capabilities for difficult to produce and fill HA and non-HA products.

Lifecore develops and manufactures products composed of the biopolymer hyaluronan (also known as hyaluronic acid, sodium hyaluronate, or hyaluronate). Hyaluronan is an important extra-cellular matrix component involved in lubrication and biological maintenance of many tissues. Lifecore's hyaluronan is used in a wide and growing range of products for several medical specialties including ophthalmic surgery, orthopedics, veterinary medicine, drug delivery, tissue regeneration and aesthetics.

Lifecore is dedicated to the development of technically advanced hyaluronan-based products that offer long-term compatibility with the human body. Since 1986, over 50 million patients worldwide have benefited from Lifecore's hyaluronan-based products. Lifecore's commitment to quality and service ensures that its products meet the highest standards set by the United States Food and Drug Administration, the European Community and other international agencies. Lifecore has earned ISO 13485 and CE certifications on several products, international symbols of quality system assurance and compliance.

This year Landec invested in capital equipment to upgrade Lifecore facilities and position it with the needed capacity to support active development programs that are reaching anticipated commercialization. As in the past, Lifecore will continue to focus on growing revenues and earnings by double digits annually while maintaining its high operating margins. Lifecore will continue to leverage its long-term partner relationships and 114,000 square foot FDA registered pharmaceutical grade facility to develop new products and partnerships to achieve this growth.

Sterile syringe with Lifecore HA

Shareholders Letter

Fiscal year 2013 was a very productive year for Landec. Revenues grew 39% to $442 million, earnings per share grew 43% (excluding a one-time, non-recurring expense reduction) to $0.70/share and cash flow from operations was $21.2 million. Landec's three year average compounded growth rate in revenues was 23%.

Dear Shareholders,

Fiscal year 2013 was an outstanding year for Landec. Revenues grew 39% to $442 million, earnings per share grew 43% to $0.70/share(i) and cash flow from operations was $21.2 million. Landec's three year average compound growth rate in revenues was 23%.

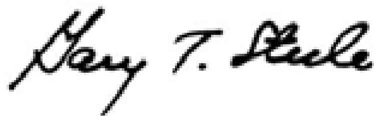
A focus on Landec's two core businesses is paying off as we grow our food and medical materials businesses in the "healthy living" space. During fiscal year 2013, Landec delivered strong revenue and earnings growth while investing in strategic initiatives to position Landec for growth in the future. We divested extraneous businesses, strengthened our channels of distribution and continued to build our balance sheet. During the 2013 fiscal year, we also grew Apio's value-added, specialty packaged food business by 43%, which included the benefit of acquiring GreenLine Holding Company in April 2012. Our food business also generated $26.6 million in adjusted pre-tax income, representing 34% year-over-year growth. Our Lifecore Biomedical business increased revenues 20% to $41 million, while increasing pre-tax income 23% to $9.4 million.

Major accomplishments for the year at Apio included generating $1.8million in operational savings by integrating our new GreenLine business into Apio's food business, launching our first product in our vegetable salad line, *Sweet Kale Salad*, which is now available nationwide and in Canada, while adding several new food customers as part of our cross-selling efforts between GreenLine and Eat Smart customers. Also in the food space, we continued to support new initiatives at Windset Farms (we own 20% of Windset), including doubling its California hydroponic greenhouse production facilities, which should begin harvesting in early fall 2013. At Lifecore, we made considerable progress by expanding our sterile filling capabilities and commercializing new ophthalmology products with several industry leaders.

Our charter is clear. We want to bring healthy, nutritious, fresh produce products to consumers in North America. We believe that healthy eating leads to healthy living. We also want to do our part to enable people to enjoy a higher quality of life as they age. Our injectable biomedical materials for the ophthalmic and orthopedic markets enable people to stay more active as they grow older. At Landec, we are dedicated to innovating new products that promote healthy living and a more active lifestyle.

We look forward to another good year ahead. Thank you for your continued support.

Respectfully,



Gary T. Steele
Chairman of the Board, President and CEO

(i) Before a $3.9mm non-recurring expense reduction associated with the earn-out adjustment from the GreenLine acquisition.

LANDEC

2013 Proxy Statement and 10-K

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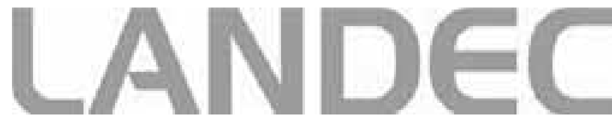

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON OCTOBER 10, 2013

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 10, 2013, at 1:30 p.m., local time, at Seaport Conference Center, 459 Seaport Court, Redwood City, CA 94063 for the following purposes:

1. To elect four 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 25, 2014;

3. To approve the Company's 2013 Stock Incentive Plan;

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

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

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

Only stockholders of record at the close of business on August 13, 2013, 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, and 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 21, 2013

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 10, 2013

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 10, 2013, at 1:30 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 Seaport Conference Center, 459 Seaport Court, Redwood City, CA 94063. The telephone number at that location is (650) 482-3500.

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 10, 2013 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. 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 10, 2013.

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.**

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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 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.

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 is effectively a vote against the director.

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 abstention or otherwise, will have no effect on this vote.

Proposal No. 3 – Approval of 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.

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 25, 2014; FOR the approval of the Company's 2013 Stock Incentive Plan; FOR the advisory vote on executive compensation; and as the proxy holders deem advisable on other matters that may come before the meeting or any adjournment(s) thereof, as the case may be, with respect to the item not marked. If a broker indicates on the enclosed

proxy or its substitute that it does not have discretionary authority as to certain shares to vote on a particular 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.

Record Date and Share Ownership

Only stockholders of record at the close of business on August 13, 2013, are entitled to notice of, and to vote at, the Annual Meeting. As of August 13, 2013, 26,478,165 shares of the Company's common stock, par value $0.001 per share, were issued and outstanding.

Deadline for Receipt of Stockholder Proposals for the Company's Annual Meeting of Stockholders in 2014

If any stockholder desires to present a stockholder proposal at the Company's 2014 Annual Meeting of Stockholders, such proposal must be received by the Secretary of the Company no later than May 13, 2014, in order that they may be considered for inclusion in the proxy statement and form of proxy relating to that meeting.

Also, if a stockholder does not notify the Company on or before July 28, 2014 of a proposal for the 2014 Annual Meeting of Stockholders, management intends to use its discretionary voting authority to vote on such proposal, even if the matter is not discussed in the proxy statement for the 2014 Annual Meeting of Stockholders.

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 Class 2 directors elected in odd numbered years (*e.g.*, 2013) and the Class 1 directors elected in even numbered years (*e.g.*, 2014). Accordingly, at the Annual Meeting four (4) Class 2 directors will be elected.

The Board of Directors has nominated the persons named below to serve as Class 2 directors until the next odd numbered year annual meeting during 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 four (4) nominees named below, all of whom are presently directors of the Company. 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 four (4) nominees for director receiving at least a majority of votes cast at the Annual Meeting will be elected.

Nominees for Class 2 Directors

Directors continuing in office until the 2015 Annual Meeting of Stockholders are:

Name of Director	Age	Principal Occupation	Director Since
Dean Hollis	53	Retired President and Chief Operating Officer, ConAgra Foods, Inc. Consumer Foods and International Division	2009
Robert Tobin	75	Retired Chief Executive Officer, Ahold, USA	2004
Nicholas Tompkins	58	Managing Member, NKT Commercial LLC, Chairman of the Board of Apio, Inc.	2003
Tonia Pankopf	45	Managing Partner, Pareto Advisors, LLC	2012

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.

Dean Hollis has served as a director since July 2009. Mr. Hollis was most recently President and Chief Operating Officer of the Consumer Foods and International Division of ConAgra Foods, Inc. ("***ConAgra***"). Mr. Hollis had management responsibility for ConAgra's consumer and customer branded businesses consisting of over 40 global brands in 110 countries. During Mr. Hollis' 21 years with ConAgra, he had a broad array of responsibilities, including Executive Vice President, Retail Products; President, Frozen Foods; President, Grocery Foods; President, Specialty Foods; and President, Gilardi Foods. Currently, Mr. Hollis is a Senior Advisor for Oaktree Capital Management, L.P. ("***Oaktree***"). He is also the chairman of the board of directors for Advance Pierre Foods, an Oaktree portfolio company, and a member of the board of directors of Boulder Brands, Inc and Diamond Foods. Mr. Hollis is a graduate of Stetson University and he currently serves on its board.

With over 20 years of experience in the food industry, Mr. Hollis provides the Board of Directors with significant expertise in marketing and sales of packaged foods, overall strategy development for food products and in-depth general management expertise for investing in growth companies, which has a direct benefit to Landec's wholly-owned food subsidiary, Apio, Inc. ("***Apio***").

Robert Tobin has served as a director since December 2004. Mr. Tobin retired from his position as Chief Executive Officer of Ahold USA 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.

Nicholas Tompkins has served as a director since October 2003. Mr. Tompkins has been the Chairman of the Board of Apio, since January 2008. Prior to becoming the Chairman of the Board of Apio, Mr. Tompkins was the Chief Executive Officer of Apio, a position he had held since Apio's inception in 1979. Landec acquired Apio in December 1999. Mr. Tompkins is also a current board member and past chairman of the Ag Business Advisory Council for California Polytechnic State University in San Luis Obispo, California. He was a member of the board of directors of the United Fresh Fruit and Vegetable Association through 2008 and was Chairman of that organization in 2005 and 2006. Mr. Tompkins received a B.S. in Agricultural Business from California State University, Fresno.

Mr. Tompkins brings to the Board of Directors extensive experience in the area of agriculture. In addition, Mr. Tompkin's prior service as the Chief Executive Officer of Apio and as its current Chairman provides the Board of Directors with in-depth knowledge of the operations of Apio, a significant portion of the Company's business.

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. Ms. Pankopf serves on the Board of Directors of TICC Capital Corp. and served on the Board of the University System of Maryland Foundation from 2006 to 2012. Ms. Pankopf is a member of the National Association of Corporate Directors and has been designated an NACD Governance 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 experience in investment research and financial analysis and corporate governance provides the Board of Directors with valuable insights of an experienced investment manager and institutional shareholder as well as a diverse perspective.

Duke K. Bristow, Ph.D. (56) will complete his term as a Class 2 director at the time of the Annual Meeting. Dr. Bristow has served as a director since September 2004. Dr. Bristow has academic appointments with the Marshall School of Business at the University of Southern California ("***USC***") and with the Henry Samueli School of Engineering at the University of California, Los Angeles ("***UCLA***"). He teaches engineering economics at UCLA where he has been an economist since 1995. In August 2006, he began teaching finance at USC. His research focuses on corporate governance, corporate finance and entrepreneurship. Dr. Bristow is an advisor to a number of private and public organizations. Previously, he was with Eli Lilly & Company, a leading life science firm, for ten years. He held management positions in the pharmaceutical, medical device and diagnostics divisions and in corporate finance. He holds a B.S. in Chemical Engineering from Purdue University, an M.B.A. from Indiana University, and a Ph.D. in Financial Economics from UCLA.

With his academic background and knowledge of corporate governance and finance, Dr. Bristow provides the Board of Directors with a thoughtful perspective on economic issues facing the Company. In addition, with his experience in the life sciences industry, Dr. Bristow provides a deep understanding of the technology issues facing the Company's biotechnology business.

Class 1 Directors

Name of Director	Age	Principal Occupation	Director Since
Gary T. Steele	64	President, Chief Executive Officer and Chairman of the Board of Directors of the Company	1991
Frederick Frank	81	Chairman, Burrill Securities	1999
Steven Goldby	73	Partner, Venrock	2008
Stephen Halprin	75	Retired General Partner of OSCCO Ventures	1988
Catherine A. Sohn	60	Retired Senior Executive Glaxo Smith Kline	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 or executive officer of the Company.

Gary T. Steele has served as President, Chief Executive Officer and a director since September 1991 and as Chairman of the Board of Directors since January 1996. 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 the biotechnology field 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 Burrill Secuirities, an investment banking and advisory firm. 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 serves as an advisor to the board of directors 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, 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. 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.

Stephen Halprin has served as a director since April 1988. From 1968 until his retirement in 2005, Mr. Halprin was a General Partner of OSCCO Ventures, a venture capital firm. Mr. Halprin received a B.S. from the Massachusetts Institute of Technology and an M.B.A. from Stanford University.

Through his work in the venture capital arena, Mr. Halprin has a great deal of familiarity with the issues that arise in the context of growing and developing a business. As such, he provides the Board of Directors with significant knowledge of financing and development of strategies for growth.

Catherine A. Sohn, has served as a director since November 2012. Dr. Sohn brings significant industry experience in pharmaceutical and health-related sectors based on her leadership and achievements in business development and new product development for 28 years at Glaxo Smith Kline ("***GSK***"). Most recently, Dr. Sohn was Senior Vice President of Worldwide Business Development and Strategic Alliance for GSK's $8 billion consumer healthcare division. Early in her career, Dr. Sohn established the U.S. vaccine business unit for SmithKline Beecham Pharmaceuticals and she subsequently led the commercialization of Paxil, which became one of GSK's top five pharmaceutical products. Currently Dr. Sohn serves as president of Sohn Health Strategies, LLC, providing business development and new product marketing consultation to biotechnology, specialty pharmaceutical and healthcare companies. Dr. Sohn is a National Association of Corporate Directors (NACD) Governance Fellow. She has demonstrated her commitment to boardroom excellence by completing NACD's comprehensive program of study for corporate directors. She supplements her skill sets through ongoing engagement with the director community and access to leading practices. Dr. Sohn received her Doctor of Pharmacy degree from University of California in San Francisco.

With over 30 years of experience in health-related sectors, Dr. Sohn provides the Board of Directors with significant expertise in business development 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 seven meetings during the fiscal year ended May 26, 2013. Each director attended at least 75% of all Board and applicable committee meetings during fiscal year 2013. 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). It is our policy to encourage the members of the Board of Directors to attend the Company's annual meeting of stockholders. All directors attended our 2012 Annual Meeting of Stockholders.

As of August 21, 2013, the Audit Committee consists of Mr. Halprin (Chairman), Dr. Bristow, Mr. Goldby and Ms. Pankopf, each of whom the Board of Directors has determined meets the current 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 independent auditor's qualifications and independence, the performance of the Company's internal audit function and independent auditor, 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 auditor, approving the services performed by the independent auditors 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 Mr. Halprin, Dr. Bristow and Mr. Goldby are "audit committee financial experts" within the meaning of applicable SEC rules and regulations. The Audit Committee held seven meetings during fiscal year 2013. 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.

As of August 21, 2013, the Compensation Committee consists of Mr. Hollis (Chairman), Mr. Frank, and Mr. Tobin, each of whom the Board of Directors has determined 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 incentive plans, stock equity 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 three meetings during fiscal year 2013. The Compensation Committee did not engage a compensation consultant during fiscal year 2013 to advise on compensation matters with respect to fiscal year 2013. Please see the section entitled

"Executive Compensation and Related Information" for further matters related to the Compensation Committee, including its report for the fiscal year ended May 26, 2013.

As of August 21, 2013, the Nominating and Corporate Governance Committee consists of Mr. Frank (Chairman), Dr. Sohn and Mr. Tobin, each of whom the Board of Directors has determined 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 one meeting during fiscal year 2013.

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 Ropes & Gray LLP, Three Embarcadero Center, San Francisco, CA 94111, 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 security holders. 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, and it seeks to include Board members with diverse backgrounds and experiences. Further criteria include a candidate's 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.

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 board members are independent;

- All members of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance 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, and the Board of Directors has designated a lead independent director 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, other than Mr. Steele and Mr. Tompkins, is an independent director under applicable NASDAQ listing standards. Mr. Steele does not meet the independence standards because he was an employee of the Company during fiscal year 2013 and, in the case of Mr. Tompkins, based on the information disclosed under "Certain Relationships and Related Transactions" herein.

Mr. Halprin currently serves as the Company's lead independent director.

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. After due consideration, the Board of Directors has concluded that combining the roles of Chairman and Chief Executive Officer is in the best interests of the Company. The Board of Directors believes that the combination of the roles of Chairman and Chief Executive Officer promotes the Board of Directors and executive management's pursuit of the Company's business objectives by allowing the senior-most executive with accountability for the Company's day-to-day operations, who also possesses significant business and industry knowledge, to set Board of Directors meeting agendas (in consultation with the lead independent director) and to lead the related discussions.

The Board of Directors does not believe that separating these roles would enhance either the independence of the Board of Directors or its effectiveness in discharging its responsibilities. The Board of Directors 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. At each Board of Directors meeting, non-management directors convene an executive session without the presence of management. Moreover, the non-management directors have elected one independent director to be the lead independent director. The lead independent director is Mr. Halprin. The lead independent director presides over executive sessions of the non-management directors and at all meetings at which the Chairman is not present; calls meetings of the non-management directors as he deems necessary; serves as a liaison between the Chairman and the non-management directors; advises the Chairman of the informational needs of the Board of Directors and approves information sent to the Board of Directors; and is available for consultation and communication if requested by major 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 or the lead independent director, 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 independent auditors, 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 independent auditors 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 us, 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 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.

Compensation of Directors

The following table sets forth compensation information for the fiscal year ended May 26, 2013, for each member of our Board of Directors who was not also an executive officer during fiscal year 2013. The Chief Executive Officer, who serves on our Board does not receive additional compensation for serving on the Board. See "Summary Compensation Table" for disclosure related to our Chairman of the Board, President and Chief Executive Officer, Gary T. Steele.

Name	Fees Earned or Paid in Cash $	Stock Awards(1) $	Option Awards(1) $	Total $
Duke K. Bristow, Ph.D.	38,000	—	—	38,000
Frederick Frank	28,500	—	—	28,500
Steven Goldby	38,000	—	—	38,000
Stephen Halprin	54,000	—	—	54,000
Dean Hollis	32,500	—	—	32,500
Tonia Pankopf	18,500	30,030	35,660	84,190
Catherine A. Sohn	13,500	30,030	35,660	79,190
Robert Tobin	28,500	—	—	28,500
Nicholas Tompkins	26,500	—	—	26,500

(1) The amounts shown in the Stock Awards and Option Awards columns do not reflect compensation actually received by a director. Instead, the amounts shown are the aggregate grant date value, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Options, of awards granted in fiscal year 2013. The assumptions used to calculate the value of option awards are set forth under Note 1 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 26, 2013.

At May 26, 2013, the aggregate number of stock awards and option awards outstanding was: Dr. Bristow – 60,000 shares; Mr. Frank – 50,000 shares; Mr. Goldby – 30,000 shares; Mr. Halprin – 50,000 shares; Mr. Hollis – 25,000 shares; Ms. Pankopf – 13,333 shares; Dr. Sohn – 13,333 shares; Mr. Tobin – 60,000 shares; and Mr. Tompkins – 25,000 shares.

For fiscal year 2013, each non-employee director earned $20,000 per year for service as a member of our Board of Directors. In addition, the Chairman of the Compensation Committee received an annual retainer of $5,000, each director who served on the Audit Committee received an annual retainer of $10,000, with the Chairman of the Audit Committee receiving an annual retainer of $15,000, and the lead independent director received an annual retainer of $10,000.

Additionally, for fiscal year 2013, each non-employee director received $1,000 for each meeting of the Board attended in person ($500 if attended by phone), $500 for each meeting of a Committee attended in person, and $1,000 for each stockholder meeting attended. 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 were reimbursed.

The Compensation Committee engaged Cook and Associates, a compensation consulting firm, during fiscal year 2013 to advise the Compensation Committee on Director compensation. Based on their recommendations, Director compensation will be changed in fiscal year 2014 to increase base cash compensation and increase compensation for membership on committees of the Board and to eliminate meeting fees and eliminate the issuance of options but not RSUs.

Required Vote

The election of each of the four (4) 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. 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. As such, a "WITHHOLD" vote is effectively a vote against a director.

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

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 25, 2014, 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 26, 2013 and May 27, 2012.

Fee Category	Fiscal Year 2013	Fiscal Year 2012
Audit Fees	$ 1,130,000	$ 1,229,000
Audit-Related Fees(1)	10,000	—
Tax Fees (2)	—	60,000
All Other Fees	—	—
Total	$ 1,140,000	$ 1,289,000

(1) Audit-related fees for fiscal year 2013 were for agreed upon procedures work performed by Ernst & Young LLP related to the Company's debt with General Electric Capital Corporation.
(2) Tax fees for fiscal year 2012 were for the services provided in connection with the Company's acquisition of GreenLine Holding Company.

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.

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 25, 2014.

PROPOSAL NO. 3

APPROVAL OF THE 2013 STOCK INCENTIVE PLAN

At the Annual Meeting, stockholders are being asked to approve the Landec Corporation 2013 Stock Incentive Plan (referred to in this proposal as the "***Plan***"). The Plan was approved by the Board of Directors on July 25, 2013, subject to the approval of the Company's stockholders. The Plan will become effective upon its approval by the stockholders at the Annual Meeting and will supersede the Company's 2009 Stock Incentive Plan (i.e., no further awards will be made under the 2009 Stock Incentive Plan on or after the effective date of the Plan). However, the Plan will not, in any way, affect outstanding awards previously granted under the 2009 Stock Incentive Plan or any other outstanding Company equity award plan. We are requesting stockholder approval of the Plan (1) to be in accordance with the rules of NASDAQ, (2) to enable the Company to grant awards under the Plan 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), and (3) to enable the Company to grant stock options intended to qualify as incentive stock options ("***ISOs***") under Section 422 of the Code.

If stockholders do not approve this Proposal No. 3, no awards will be granted under the Plan and the 2009 Stock Incentive Plan will continue in effect in accordance with its terms.

Reasons for the Proposal

The Board of Directors and the Compensation Committee believe there is an insufficient number of Shares remaining for grants under the Company's 2009 Stock Incentive Plan to achieve the Company's compensation objectives over the coming years. The Board of Directors and the Compensation Committee believe that equity incentives are necessary to remain competitive in the marketplace and align the interests of our employees with our stockholders. If the 2009 Stock Incentive Plan remains in effect because the Plan 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 fewer than 3,000 Shares remaining available for grant under the 2009 Stock Incentive Plan as of August 13, 2013.

As in the case of other 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 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. Even if stockholders approve the Plan, the Compensation Committee will continue to have authority to award and/or pay compensation that is not exempt from the limits on deductibility under Section 162(m).

General

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

- The Plan will be administered by the Compensation Committee or the Board of Directors, as further described below, and its authorized delegates. The Compensation Committee is composed entirely of independent directors who meet Nasdaq's and the Company's standards for independence 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 2,000,000 shares of the Company's common stock (individually, a "***Share***" and collectively, the "***Shares***") will be available under the Plan. This is equal to approximately 8% of the Company's total outstanding Shares of common stock as of August 13, 2013. If approved by the Company's stockholders, the Plan will replace the Company's 2009 Stock Incentive Plan, although awards previously granted under that plan will remain outstanding in accordance with their terms. The Shares available under the Plan, together with the number of Shares underlying outstanding awards as of August 13, 2013 granted under all of the Company's equity award plans, is equal to approximately 15% of the Company's total outstanding Shares.

- Participation by employees, directors, non-employee directors and consultants is at the discretion of the Compensation 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 Compensation Committee may recover awards and payments under or gain in respect of awards to comply with Section 10D of the Securities Exchange Act of 1934.

- The Plan has a seven-year life span.

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

Share Reserve

Subject to adjustment as provided for below, the aggregate number of Shares that will be available for issuance under the Plan is 2,000,000 Shares, which constitutes approximately 8% of the Company’s total outstanding Shares as of August 13, 2013. 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) restricted stock 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 Compensation Committee will, in its discretion, make appropriate adjustments to the number of Shares and kind of shares or securities issuable under the Plan (on both an aggregate and per-participant basis) and under each outstanding award. Appropriate adjustments will also be made to the exercise price of outstanding options and stock appreciation rights.

Administration

The Compensation Committee will administer the Plan with respect to persons who are subject to Section 16 of the Securities Exchange Act of 1934 and awards intended to qualify as “performance-based compensation” under Section 162(m) of the Code. The Board of Directors will administer the Plan with respect to awards granted to non-employee directors. The Compensation Committee will administer the Plan with respect to all awards granted to persons other than (i) non-employee directors or (ii) covered employees for purposes of Section 162(m) of the Code. The Compensation Committee has complete discretion, subject to the provisions of the Plan, to authorize the grant of stock options, restricted stock, stock units and stock appreciation rights awards under the Plan and to make all decisions relating to the operation of the Plan.

Eligibility and Types of Awards Under the Plan

The Plan permits the granting of stock options, stock appreciation rights, stock units and restricted stock.

Employees (including executive officers and directors) and consultants of the Company, any parent, subsidiary or affiliate of the Company, and non-employee directors of the Company will be eligible to participate in the Plan. As of August 13, 2013, approximately 526 employees (including employee directors and executive officers), two consultants and 9 non-employee directors would have been eligible to participate in the Plan, if the Plan had been in effect as of that date. As of August 13, 2013, the closing price of our common stock on the Nasdaq Global Select market was $14.17 per share.

Options

The Compensation 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 Compensation Committee.

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

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

Restricted Stock

The Compensation Committee may grant awards of Shares under the Plan. Participants may or may not be required to pay cash consideration to the Company at the time of grant of such Shares. The number of Shares associated with each stock grant will be determined by the Compensation Committee, and each grant shall be subject to vesting conditions established by the Compensation Committee. Shares that are subject to such conditions are "restricted," i.e. subject to forfeiture if the performance goals and/or other conditions are not satisfied. When the restricted stock award conditions are satisfied, then the participant is vested in the Shares and has complete ownership of the Shares. A stock grant agreement may provide for accelerated vesting in the event of the participant's death, disability or other events. A holder of a stock grant under the Plan will have the same voting, dividend and other rights as the Company's other stockholders; provided, however, that the holder may be required to invest any cash dividends received in additional Shares.

Stock Units

The Compensation Committee may award stock units under the Plan. Participants are not required to pay any consideration to the Company at the time of grant of a stock unit. The number of Shares covered by each stock unit award will be determined by the Compensation Committee. A stock unit is a bookkeeping entry that represents a Share. A holder of stock units will have no voting rights, but may have a right to dividend equivalents, subject to applicable laws, which may be settled in cash, Shares or a combination of both. A stock unit is similar to restricted stock in that the Compensation Committee may establish performance goals and/or other conditions that must be satisfied before the participant can receive any benefit from the stock unit. When the participant satisfies the conditions of the stock unit award, the Company will pay the participant cash or Shares or any combination of both to settle the vested stock units. Settlement may be in the form of a lump sum or in installments, and may occur or commence when the vesting conditions are satisfied or may be

deferred, subject to applicable laws, to a later date. Conversion of the stock units into cash may be based on the average of the fair market value of a Share over a series of trading days or on other methods. A stock unit agreement may provide for accelerated vesting in the event of the participant's death, disability or other events.

Stock Appreciation Rights

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

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

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

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 Compensation 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 Compensation 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 Compensation Committee's discretion.

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

Amendment and Termination

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

New Incentive Plan Benefits

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

Federal Income Tax Consequences

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

A recipient of a stock option or stock appreciation right generally will not have taxable income upon the grant of the stock option or stock appreciation right. 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 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 Compensation 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.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE PROPOSAL TO APPROVE THE 2013 STOCK INCENTIVE PLAN.

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 26, 2013:

Plan Category	(a) 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 security holders	1,392,222	$ 6.57	422,977(3)
Equity compensation plans not approved by security holders	43,000(4)	$ 6.97	0
Total	1,435,222	$ 6.58	422,977

(1) Includes only options and restricted stock units outstanding under Landec's equity compensation plans, as no stock warrants or other rights were outstanding as of May 26, 2013.
(2) The weighted average exercise price of outstanding options, warrants and rights 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 2009 Stock Incentive Plan.
(4) Represents shares remaining for issuance pursuant to options that are outstanding under the 1996 Non-Executive Stock Option Plan, which has been terminated, and no future awards will be made pursuant to such plan. A description of this plan is set forth under Note 8 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for fiscal year 2013.

The 2009 Stock Incentive Plan

The 2009 Stock Incentive Plan (the "***2009 Plan***"), which was approved by stockholders, 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 the outstanding 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 generally were exercisable upon vesting and generally vested ratably over three years. If the 2013 Stock Incentive Plan is approved by stockholders at the Annual Meeting, the 2009 Plan will be terminated and no further awards will be made pursuant to the 2009 Plan.

The 2005 Stock Incentive Plan

The 2005 Stock Incentive Plan, which was approved by stockholders and has been terminated, authorized the grant of equity awards, including stock options, restricted stock units and restricted stock to employees, including officers and directors, outside consultants and non-employee directors of the Company. 861,038 shares were authorized to be issued under this plan. The exercise price of stock options granted under this plan was the fair market value of the Company's common stock on the date the options were granted. Options generally were exercisable upon vesting and generally vested ratably over three years. No future awards will be made pursuant to this plan.

The 1996 Non-Executive Stock Option Plan

The 1996 Non-Executive Stock Option Plan authorized the grant of non-qualified stock options to employees, including officers, and outside consultants of the Company. The plan was not approved by the Company's stockholders. As amended in 1999, 1,500,000 shares were authorized to be issued under this plan. The exercise price of the options was equal to the fair market value of the Company's Common Stock on the date the options were granted. Options generally were exercisable upon vesting and generally vested ratably over four years. The 1996 Non-Executive Stock Option Plan has been terminated, and no future awards will be made pursuant to such plan.

Required Vote

The affirmative vote of the holders of a majority of the Shares present at the Annual Meeting in person or by proxy and entitled to vote on this proposal is required to approve the Plan.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE COMPANY'S 2013 STOCK INCENTIVE PLAN

PROPOSAL NO. 4

NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Compensation Discussion and Analysis beginning on page 29 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 2013 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 29 of this Proxy Statement, as well as the 2013 Summary Compensation Table and related compensation tables, appearing on pages 35 through 38, 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 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 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 awards payable under our annual cash incentive award program are subject to a maximum payout, which limits the overall payout potential. The Company's current practice is to grant our named executive officers both 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 the 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 2012 annual meeting of stockholders, 99.0% of votes cast expressed support for our compensation policies and practices, and we believe our program continues to be effective.

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

AUDIT COMMITTEE REPORT

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

Composition

The Audit Committee of the Board of Directors consists of the four directors whose names appear below and operates under a written charter adopted by the Board of Directors. Each member of the Audit Committee meets the independence and financial experience requirements of NASDAQ and the SEC currently in effect. In addition, the Board of Directors has determined that each of Mr. Halprin, Dr. Bristow and Mr. Goldby is an audit committee financial expert, as defined by the rules and regulations of the SEC.

Responsibilities

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

Review with Management and Independent Auditors

The Audit Committee held seven meetings during fiscal year 2013. The Audit Committee met and held discussions with management and representatives of the Company's independent registered public accounting firm, Ernst & Young LLP. Management represented to the Audit Committee that the Company's consolidated financial statements for the fiscal year ended May 26, 2013 were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements for the fiscal year ended May 26, 2013 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 also received the written disclosures and the letter from Ernst & Young LLP required by applicable requirements of the PCAOB regarding the independent accountants' communications with the Audit Committee concerning independence, and the Audit Committee discussed the independence of Ernst & Young LLP with that firm. The Audit Committee has considered the compatibility of non-audit services with the auditors' independence.

Summary

Based upon the Audit Committee's discussions with management and the Company's independent registered public accounting firm, the Audit Committee's review of the representations of management and the report of the independent registered public accounting firm to the Audit Committee, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended May 26, 2013, as filed with the SEC.

This report is submitted by the Audit Committee.

Stephen Halprin (Chairman)
Duke K. Bristow, Ph.D.
Steven Goldby
Tonia Pankopf

EXECUTIVE OFFICERS OF THE COMPANY

The following sets forth certain information with regard to each named executive officer and each current executive officer of the Company. Ages are as of August 13, 2013.

Gary T. Steele (age 64) has been President, Chief Executive Officer and a director of the Company since 1991 and Chairman of the Board of Directors since January 1996. 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.

Gregory S. Skinner (age 52) 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 Anderson & Company.

Dennis J. Allingham (age 62) was previously the President, Chief Executive Officer and a director of Lifecore Biomedical since February 2004, and a Vice President of the Company since April 2010, until his retirement on June 1, 2013. He served as Lifecore's General Manager and Chief Financial Officer for the eight years prior to his appointment as CEO. Mr. Allingham had over 25 years of progressive business and management experience in executive positions and as a director within the pharmaceutical and health care distribution, manufacturing and retail industries.

Ronald L. Midyett (age 47) has been President and Chief Executive Officer of Apio since January 2008, and 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 20 years of technology and operations experience in the produce industry. Mr. Midyett is currently chairman of the board of directors of the United Fresh Fruit and Vegetable Association and a director of Windset Holdings 2010 Ltd., a privately held Canadian corporation.

Molly A. Hemmeter (age 46) has been Chief Commercial Officer since December 2010 and before that Vice President, Business Development and Global Marketing of the Company since being hired in June of 2009. 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 in San Francisco, a privately held company delivering on-demand software for managing real estate asset portfolios.

Steven P. Bitler, Ph.D. (age 55) 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 13, 2013 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		
Dimensional Fund Advisors, L.P. 6300 Bee Cave Road, Building One Austin, TX 78746	2,135,252(3)	8.06%
Security Investors, LLC One Security Benefit Place Topeka, KS 66636	2,041,117(4)	7.71%
Wynnefield Capital, Inc 450 Seventh Ave, #509 New York, NY 10123	1,802,801(5)	6.81%
FMR LLC 245 Summer St. 14th Floor Boston, MA 02210	1,761,390(6)	6.65%
BlackRock, Inc 40 E. 52nd Street New York, NY 10022	1,543,593(7)	5.83%
Executive Officers and Directors		
Gary T. Steele President and Chief Executive Officer and Chairman of the Board of Directors	285,926(8)	1.07%
Gregory S. Skinner Chief Financial Officer and Vice President of Finance & Administration	338,122(9)	1.27%
Dennis J. Allingham Former President and Chief Executive Officer of Lifecore Biomedical, LLC and Vice President of Landec	15,532(10)	*
Ronald L. Midyett President and Chief Executive Officer of Apio, Inc. and Vice President of Landec	182,760(11)	*

NAME	SHARES BENEFICIALLY OWNED (1) NUMBER OF SHARES OF COMMON STOCK	PERCENT OF TOTAL(2)
Molly A. Hemmeter Chief Commercial Officer	84,303(12)	*
Duke K. Bristow, Ph.D., Director	73,519(13)	*
Frederick Frank, Director	342,635(14)	1.29%
Steven Goldby, Director	40,001(15)	*
Stephen Halprin, Director	127,687(16)	*
Dean Hollis, Director	33,334(17)	*
Tonia Pankopf, Director	3,055(18)	*
Catherine A. Sohn, Director	3,055(19)	*
Robert Tobin, Director	73,512(20)	*
Nicholas Tompkins, Director	60,671(21)	*
All directors and executive officers as a group (15 persons)	1,760,241(22)	6.43%

* 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 13, 2013, 26,478,165 shares of Common Stock were issued and outstanding. Percentages are calculated with respect to a holder of options exercisable within 60 days after August 13, 2013 as if such holder had exercised his options. Option shares 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 Dimensional Fund Advisors, L.P. with the SEC showing such beneficial owner's holdings as of June 30, 2013.

(4) This information is based on a Form 13F filed by Guggenheim Capital with the SEC showing such beneficial owner's holdings as of June 30, 2013.

(5) This information is based on a Form 13F filed by Wynnefield Capital, Inc with the SEC showing its holdings as of June 30, 2013.

(6) This information is based on a Form 13F filed by Fidelity Management and Research Co. with the SEC showing its holdings as of June 30, 2013.

(7) This information is based on a Form 13F filed by the five institutions: BlackRock Institutional Trust Company, N.A.; BlackRock Fund Advisors; BlackRock Advisors, LLC; BlackRock Investment Management, LLC; and BlackRock Asset Management Canada Limited under the parent company BlackRock, Inc with the SEC showing its holdings as of June 30, 2013.

(8) This number includes 67,176 shares held in trust of which Mr. Steele is a beneficial owner. This number also includes 218,750 shares subject to outstanding stock options exercisable within 60 days after August 13, 2013.

(9) This number includes 120,888 shares subject to outstanding stock options exercisable within 60 days after August 13, 2013.

(10) This number includes zero shares subject to outstanding stock options exercisable within 60 days after August 13, 2013.

(11) This number includes 120,888 shares subject to outstanding stock options exercisable within 60 days after August 13, 2013.

(12) This number includes 76,388 shares subject to outstanding stock options exercisable within 60 days after August 13, 2013.

(13) This number includes 60,000 shares subject to outstanding stock options exercisable within 60 days after August 13, 2013.

(14) This number includes 50,000 shares subject to outstanding stock options exercisable within 60 days after August 13, 2013.

(15) This number includes 30,000 shares subject to outstanding stock options exercisable within 60 days after August 13, 2013.

(16) This number includes 71,687 shares held in a trust of which Mr. Halprin is a beneficial owner. This number also includes 50,000 shares subject to outstanding stock options exercisable within 60 days after August 13, 2013.

(17) This number includes 25,000 shares subject to outstanding stock options exercisable within 60 days after August 13, 2013.

(18) This number includes 3,055 shares subject to outstanding stock options exercisable within 60 days after August 13, 2013.

(19) This number includes 3,055 shares subject to outstanding stock options exercisable within 60 days after August 13, 2013.

(20) This number includes 60,000 shares subject to outstanding stock options exercisable within 60 days after August 13, 2013.

(21) This number also includes 25,000 shares subject to outstanding stock options exercisable within 60 days after August 13, 2013.

(22) This number includes an aggregate of 888,718 shares held by officers and directors that are subject to outstanding stock options exercisable within 60 days after August 13, 2013.

EXECUTIVE COMPENSATION AND RELATED INFORMATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis ("***CD&A***") section discusses the compensation programs and policies for our named executive officers. The CD&A also provides an overview of the Compensation Committee's role in the design and administration of these programs and policies, and its role in making specific compensation decisions for our named executive officers. Our Named Executive Officers for fiscal year 2013 were Gary T. Steele, President and Chief Executive Officer and Chairman of the Board, Gregory S. Skinner, Vice President of Finance and Administration and Chief Financial Officer, Dennis Allingham, former President and Chief Executive Officer of Lifecore Biomedical, LLC (**"*Lifecore*"**), Ronald Midyett, President and Chief Executive Officer of Apio, Inc. (**"*Apio*"**), and Molly Hemmeter, Chief Commercial Officer. These individuals are collectively referred to as the "Named Executive Officers."

Proxy Statement

Overview of Compensation Program and Philosophy

Landec's compensation program is intended to meet three principal objectives: (1) attract, reward and retain officers and other key employees; (2) motivate these individuals to achieve the Company's short-term and long-term corporate 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 or its subsidiaries, such as the effects of weather-related disruptions and competitive pressures, with incentives to achieve our long-term vision to be the innovative leader in our food products technology and hyaluronan-based biomaterials businesses.

The above policies guide the Compensation Committee (the "***Committee***") in assessing the proper allocation between 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.

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 our 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 reviews market compensation levels and practices annually to assess individual compensation and compensation practices overall and to evaluate whether to make any adjustments to an individual Named Executive Officer's compensation. The Committee's primary source for information regarding its peer group companies is an independent data, research and advisory organization that provides corporate governance and executive compensation related database and analytical tools to corporate issuers (the "Research Firm"). The Research Firm draws data from proxy statements and reports filed with the SEC. The Committee uses this information as a tool to assist in determining the actual compensation levels for the Named Executive Officers in our three main business units.

The Committee meets regularly to review overall executive compensation. The Committee also meets with Landec's President and Chief Executive Officer, Mr. Steele, and/or other executives to obtain recommendations with respect to Company compensation programs, practices and packages for executives, other employees and directors. The CEO makes recommendations to the Committee on the base salary, bonus targets and equity compensation for the executive team and other employees, but not for himself. The Committee, however, has the ultimate responsibility for determining executive compensation.

Peer Group

The Committee uses peer group information to provide context for its compensation decision making for the Named 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. Because of the diversity of the Company's businesses and the areas in which the Company competes for executives, the Company's peer group typically includes a broad range of companies in the materials science and food industries. In making the selection, we considered revenues, market capitalization and number of employees. For fiscal year 2013, we reviewed our peer group selection in light of information received from the Research Firm and decided to add KMG Chemicals, American Pacific, Flotek Industries, Zoltek Cos and delete Peets Coffee & Teas due to its acquisition by JAB Holdings. The result was a peer group that consisted of thirty five separate companies. The peer group was organized into three categories, Food, Materials and Specialty Chemical public companies, which align with our two business units and our corporate headquarters as follows: (1) Food – Calavo Growers, Chiquita Brands International, Diamond Foods, Fresh Del Monte Produce; (2) Materials – Anika Therapeutics, Atrion, Cardiac Science, Cryolife, DIGI International, Exactech, FSI International, Heska, I Flow, Medtox Scientific, Orasure Technologies, Surmodics, Synovis Life Technologies, Vital Images, Metabolix, OM Group, Omnova Solutions, Polypore International, Quaker Chemical; and (3) Specialty Chemicals – Accuray, Affymetrix, American Pacific, Biomarin Pharmaceutical, Cepheid, Exponent, Flotek Industries, KMG Chemicals, Leapfrog Enterprises, Onyx Pharmaceuticals, Shutterfly, Zoltek Cos.

Data on the compensation practices of the above-mentioned companies was gathered using the Research Firm's web-based compensation survey data. 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). Peer group data does not include generally available benefits, such as 401(k) plans or health care coverage.

Landec's goal is to target total compensation for executives at a level that is competitive with the selected peer group but not to exceed the market's 50th percentile based on market and industry data. For Messrs. Steele and Skinner and Ms. Hemmeter, total compensation was targeted not to exceed the 50th percentile of the Specialty Chemicals public companies group of companies. For Mr. Midyett, total compensation was targeted not to exceed the 50th percentile of the Food group of companies because Mr. Midyett is the CEO of our Apio subsidiary, which processes and sells fresh-cut vegetables and for Mr. Allingham, total compensation was targeted not to exceed the 50th percentile of the Materials group of companies, because Mr. Allingham was the CEO of our Lifecore subsidiary which manufactures and sells hyaluronan, which is a polymer-based material. Targeting total compensation at a maximum of the 50th percentile, allows total compensation as a whole to be competitive, while taking into account business cyclicality. Base pay and target cash compensation are analyzed by the Committee to determine variances to the Company's compensation targets using the combination of publicly available information and data from the Research Firm as described above.

Elements of Compensation

There are three major elements that comprise Landec's compensation program: (i) base salary; (ii) annual cash incentive opportunities, including bonuses; and (iii) equity incentives in the form of stock options and/or restricted stock unit awards.

Base Salaries

The base salaries of executive officers are set at levels intended to be competitive with those companies in our peer groups with which we compete for executive talent. To retain and attract the level of talent necessary for Landec to succeed, the Committee expects that the base salaries should not exceed the middle of the range of base salaries for comparable positions. 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 and 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. For a discussion of base salary decisions made in or for fiscal year 2013, see "Compensation of Chief Executive Officer" and "Compensation of Other Named Executive Officers" below.

The salaries paid to the Named Executive Officers in fiscal year 2013 are shown in the Summary Compensation Table.

Annual Cash Incentive Award Plan

Landec maintains an annual 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. Consistent with our overall "pay-for-performance" compensation objective and our goal of attracting and retaining top level executive officers in the industry, executive officers are eligible for annual cash incentive awards based on targets that are set as a percentage of base salary. Incentive award targets and ranges are typically set early in each fiscal year. Specific criteria for corporate, business unit and individual objectives are also set at this time. The overall corporate 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. In the case of the executive officers, including the Named Executive Officers, the incentive award targets and criteria are approved by the Committee.

Fiscal Year 2013 Cash Incentive Award Plan

At the beginning of fiscal year 2013, in approving the cash incentive award plan for the year (the "***2013 Incentive Award Plan***"), the Committee set financial objectives on a consolidated basis and for each business unit and at the corporate level. The financial objectives were based on the internally-developed financial plan for the fiscal year. In fiscal year 2013, the Company's financial performance was measured based on established targets for revenues and operating income. In order for a Named Executive Officer to earn a cash incentive award under the 2013 Incentive Award Plan, a specific consolidated net income target had to be met. For fiscal year 2013, the CEO's target cash incentive award was 100% of his base salary, and the other Named Executive Officers' target incentive awards ranged from 40% of base salary up to a maximum of 83% to 104% of base salary.

For Messrs. Steele and Skinner and Ms. Hemmeter (the "***Corporate Executives***"), the award target for fiscal year 2013 was based on the Company's annual consolidated financial results, and consisted of targets for the Company's consolidated revenues of $421.2 million and consolidated operating income of $22.3 million. For Mr. Midyett, the award target was based on Apio's annual financial results, and consisted of targets for Apio's revenues of $380.6 million and operating income of $22.0 million. For Mr. Allingham, the award target was based on Lifecore's annual financial results, and consisted of targets for Lifecore's revenues of $39.4 million and operating income of $9.5 million.

For fiscal year 2013, neither the Corporate Executives nor Mr. Midyett received an incentive award because the operating income targets for Landec and Apio were not achieved. Mr. Allingham did receive an incentive award because the revenue and operating income targets for Lifecore were exceeded.

Based on the metrics described above, the Named Executive Officers' target incentive awards, maximum awards and actual amounts earned for fiscal year 2013 were as follows:

Named Executive Officer	Target Incentive Awards	Maximum Incentive Awards	Earned Incentive Awards
Gary T. Steele	$ 450,000	$ 450,000	$ —
Gregory S. Skinner	$ 186,000	$ 310,000	$ —
Dennis J. Allingham	$ 144,000	$ 298,800	$ 152,793
Ronald L. Midyett	$ 150,000	$ 312,000	$ —
Molly A. Hemmeter	$ 142,500	$ 285,000	$ —

In keeping with our "pay for performance" philosophy, a portion of our Named Executive Officers annual compensation is "at risk" compensation resulting in years, such as fiscal year 2013, in which our Named Executive Officers received no annual cash incentive award, with the exception of Mr. Allingham.

Long-Term Incentive Compensation

Landec provides long-term incentive compensation through equity-based awards, generally in the form of stock options and restricted stock units (also referred to as "***restricted stock units***," "***RSU***s" or "***stock awards***") under a broad-based equity award program (***"Equity Award Plan"***). Landec's Equity Award Plan is intended to align the interests of officers with those of the stockholders by creating an incentive for officers to maximize long-term stockholder value. The Equity Award Plan also is designed to encourage officers to remain employed with Landec despite a competitive labor market in its industry.

Awards to eligible employees, including Named Executive Officers, are generally made on an annual basis. Awards must be approved by the Committee or the Board of Directors. Awards typically take the form of stock options and RSUs, and are generally granted with a three-year vesting schedule. In general, the number of options/RSUs awarded to each executive officer is determined subjectively based on a number of factors, including an analysis of peer group 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. All stock option grants have been approved by the Board of Directors or the Committee and have a per share exercise price equal to the fair market value of Landec Common Stock on the grant date. The Committee has not granted, nor does it intend in the future to grant, equity compensation awards to executives in anticipation of the release of material nonpublic information that is likely to result in changes to the price of Landec Common Stock, such as a significant positive or negative earnings announcement. Similarly, the Committee has not timed, nor does it intend in the future to time the release of material nonpublic information based on equity award grant dates. Also, because equity compensation awards typically vest over a three year period, the value to recipients of any immediate increase in the price of Landec's stock following a grant will be attenuated.

The Committee regularly monitors the environment in which Landec operates and makes changes to the Equity Award Plan and the overall annual compensation paid to executives in order to help the Company meet its goals, including achieving long-term stockholder value. In order to continue to attract and retain highly skilled employees, at the Annual Meeting, the Company is seeking approval of a new equity plan, the 2013 Stock Incentive Plan, because the Board of Directors and the Committee believe there is an insufficient number of shares remaining for grants under the Company's 2009 Stock Incentive Plan to achieve the Company's objectives over the coming years. See the discussion in "Proposal No. 3 - Approval of the 2013 Stock Incentive Plan" for more details about the Company's proposed new plan. The Company has granted both stock options and RSUs as part of the Equity Award Plan. 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 believes that the options it grants provide effective incentives to option holders to achieve increases in the value of Landec's stock. 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.

In June 2013, the Committee granted awards under the Equity Award Plan to executive officers, including our Named Executive Officers. In making this determination, the Committee considered prior awards made to our Named Executive Officers and the value of such holdings as well as the overall compensation package paid to our executive officers for fiscal year 2013. These awards will be reflected in compensation paid to our executive officers, including our Named Executive Officers, for fiscal year 2014.

Retirement Benefits under the 401(k) Plan, Executive Perquisites and Generally Available Benefit Programs

Landec maintains a tax-qualified 401(k) plan (the ***"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 that are subject to vesting over time. The matching contribution for the 401(k) Plan at the beginning of fiscal year 2013 was $0.67 for each dollar on the first 6% of each participant's pretax contributions and was calculated and paid to participants' accounts on a payroll-by-payroll basis, subject to applicable federal limits, and subject to vesting. Effective January 2013 the 401(k) Plan became a safe harbor plan (as defined in the Code) with a safe harbor match of 100% on the first 3% of deferrals and 50% on the next 2% of each participant's contributions; and the match was calculated and paid to participants' accounts on a payroll-by-payroll basis, subject to applicable federal limits. The safe harbor 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 benefits 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 benefits 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.

Compensation of Chief Executive Officer

On February 15, 2012, the Company entered into a new executive employment agreement (the ***"Steele Agreement"***) with Mr. Steele, effective as of January 1, 2012, setting forth the terms of his employment. The Steele Agreement expires on December 31, 2014 unless renewed or extended by both parties, and provides that Mr. Steele shall be paid an annual base salary of $450,000 (which was Mr. Steele's annual base salary prior to entry into the Steele Agreement) through the term of the Steele Agreement, and is eligible to participate in the annual cash incentive award plan. Mr. Steele is also eligible for grants of equity interests under the Equity Award Plan 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 Steele Agreement.

In setting Mr. Steele's salary, target bonus and equity compensation grant, the Committee relied on the peer group data described above and weighed heavily the consideration that the Chief Executive Officer significantly and directly influences Landec's overall performance. The Committee also considered the overall compensation policies discussed above.

As indicated above under "Annual Cash Incentive Award Plan," Landec's actual financial performance for fiscal year 2013 did not result in an incentive award payment to Mr. Steele under the 2013 Incentive Award Plan. In addition, as indicated above under "Long-Term Incentive Compensation," the Committee did not grant any equity award to the Chief Executive Officer under the Equity Award Plan in fiscal year 2013. For fiscal year 2013, Mr. Steele's total compensation was below the 50th percentile of the Silicon Valley public companies group of companies described above under "Peer Group."

Compensation of Other Named Executive Officers

On December 7, 2012, the Company entered into an executive employment agreement (the ***"Skinner Agreement"***) with Mr. Skinner, effective as of January 1, 2013, setting forth the terms of his employment. The Skinner Agreement expires on December 31, 2015 unless renewed or extended by both parties, and provides that Mr. Skinner shall be paid an annual base salary of $310,000 through the term of the Skinner Agreement (unless modified by the Compensation Committee), and is eligible to participate in the annual cash incentive award plan. Mr. Skinner is also eligible for grants of equity interests under the Equity Award Plan 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.

As indicated above under "Annual Cash Incentive Award Plan," only Mr. Allingham, the CEO of Lifecore received a cash award under the 2013 Incentive Award Plan as a result of the financial performance of Lifecore, which exceeded the target approved by the Committee at the beginning of fiscal year 2013. In addition, as indicated above under "Long-Term Incentive Compensation," the Committee did not grant any equity awards to any of the Named Executive Officers under the Equity Award Plan in fiscal year 2013. For fiscal year 2013, the total compensation received by each Named Executive Officer other than the Chief Executive Officer (whose compensation is discussed above under

"Compensation of Chief Executive Officer) was below the 50th percentile for his or her peer group as described above under "Peer Group."

Say on Pay Voting Results

At the 2012 annual meeting of stockholders, the Company asked stockholders for a non-binding advisory vote to approve the compensation of the named executive officers as disclosed in the 2012 proxy statement. The holders of 99.0% of the shares present and voting at the 2012 annual meeting of stockholders voted for approval of the compensation of our named executive officers. The Company is pleased with this result and believes that stockholders confirmed our executive compensation philosophy, policies and programs. The Committee took these results into account by continuing to emphasize our pay-for-performance philosophy by utilizing performance measures that provide incentives to deliver value to our stockholders.

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 Mr. Hollis (Chairman), Mr. Frank, and Mr. Tobin. During fiscal year 2013, 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 2013. 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 2013 Annual Meeting of Stockholders and incorporated into our Annual Report on Form 10-K for the fiscal year ended May 26, 2013.

This report is submitted by the Committee.

Dean Hollis (Chairman)
Frederick Frank
Robert Tobin

Summary Compensation

The following table shows compensation information for fiscal years 2013, 2012 and 2011 for the Named Executive Officers.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($) (1)	All Other Compensation ($) (2)	Total ($)
Gary T. Steele.................	2013	450,000	—	—	—	13,882	463,882
President and Chief	2012	450,000	—	—	395,935	21,297	867,232
Executive Officer and	2011	403,846	—	—	—	14,814	418,660
Chairman of the Board							
Gregory S. Skinner	2013	310,000	—	—	—	10,873	320,873
Chief Financial Officer	2012	310,000	—	—	171,503	12,254	493,757
and V.P. of Finance	2011	310,000	—	—	—	11,499	321,499
and Administration							
Dennis J. Allingham (3)..	2013	360,000	—	—	152,793	22,872	535,665
Former President and	2012	360,000	—	—	159,266	28,416	547,682
Chief Executive	2011	360,000	—	—	260,066	28,416	648,482
Officer of Lifecore							
Biomedical, LLC							
Vice President of							
Landec							
Ronald L. Midyett...........	2013	300,000	—	—	—	27,294	327,294
President and Chief	2012	300,000	—	—	157,500	26,183	483,683
Executive Officer of	2011	275,000	—	—	—	25,736	300,736
Apio, Inc.							
Vice President of							
Landec							
Molly A. Hemmeter........	2013	285,000	—	—	—	8,786	293,786
Chief Commercial	2012	285,000	—	—	151,234	10,760	446,994
Officer	2011	284,808	—	—	—	10,906	295,714

(1) Amounts consist of bonuses earned for exceeding financial performance targets in fiscal year 2013 under the 2013 Incentive Award Plan, the 2012 Incentive Award Plan and the 2011 Incentive Award Plan.

(2) Amounts consist of Company-paid life insurance and an employer 401(k) match for all Named Executive Officers. The amount shown for Mr. Steele also includes Company-paid disability insurance for which Mr. Steele is the beneficiary and a 20-year service award amounting to $7,468 in fiscal year 2012. The amount shown for Mr. Allingham also includes Company-paid disability insurance for which Mr. Allingham is the beneficiary. For Mr. Midyett, the amount shown includes an annual car allowance of $15,000. The amount shown from Mr. Skinner includes $1,494 resulting from his 15-year service award in fiscal year 2011.

(3) Mr. Allingham retired from the Company on June 1, 2013.

Proxy Statement

Grants of Plan-Based Awards

The following table shows all plan-based awards granted to the Named Executive Officers during fiscal year 2013. 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 2013 Year-End" table on the following page.

Grants of Plan-Based Awards

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/share)	Grant Date Fair Value of Stock and Option Awards ($)
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
Gary T. Steele	N/A	0	450,000	450,000							
Gregory S. Skinner	N/A	0	186,000	310,000							
Dennis J. Allingham	N/A	0	144,000	298,800							
Ronald L. Midyett	N/A	0	150,000	312,000							
Molly A. Hemmeter	N/A	0	142,500	285,000							

(1) Amounts shown are estimated payouts for fiscal year 2013 to the Named Executive Officers under the 2013 Incentive Award Plan. The target amount is based on a percentage of the individual's fiscal year 2013 base salary. The maximum amount shown is equal to the individual's base salary for the Corporate Executives and 104% of the base salary for Mr. Midyett and 83% of the base salary for Mr. Allingham. Only Mr. Allingham received a cash incentive award for fiscal year 2013. For more information on these awards, including the amount actually paid, see "Compensation Discussion and Analysis-Annual Cash Incentive Award Plan."

Equity Awards

The following table shows all outstanding equity awards held by the Named Executive Officers at the end of fiscal year 2013. As discussed above under "Compensation Discussion and Analysis," no awards were made to the Company's Named Executive Officers under the Equity Award Plan during fiscal year 2013.

Outstanding Equity Awards at Fiscal 2013 Year-End

	Option Awards					Stock Awards	
Name	**Number of Securities Underlying Unexercised Options Exercisable**	**Number of Securities Underlying Unexercised Options Unexercisable (#) (1)**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options**	**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)**
Gary T. Steele	75,000	—	—	5.63	05/26/2017	—	—
	37,500	—	—	6.22	05/21/2016	—	—
	100,000	—	—	6.65	06/16/2014	—	—
Gregory S. Skinner	75,000	—	—	5.63	05/26/2017	—	—
	22,500	—	—	6.22	05/21/2016	—	—
	22,000	—	—	7.50	09/30/2014	—	—
Dennis J. Allingham	3,750	—	—	5.63	05/26/2017	—	—
							—
Ronald L. Midyett	65,183	1,862	—	6.19	05/28/2017	—	—
	52,500	—	—	6.22	05/21/2016	—	—
	—	—	—	—	—	22,333	138,241
Molly A. Hemmeter	37,500	—	—	5.63	05/26/2017	—	—
	37,500	—	—	6.47	06/22/2016	—	—

(1) All unexercisable shares will vest during fiscal year 2014.
(2) The RSUs vest on the third anniversary of the date of grant.
(3) Value is based on the closing price of the Company's common stock of $13.88 as of May 24, 2013 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 2013.

Option Exercises and Stock Vested For Fiscal 2013

	Option Awards			Stock Awards		
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($) (1)**	**Number of shares withheld to cover exercise price & taxes (#) (2)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**	**Number of shares withheld to cover taxes (#) (2)**
Gary T. Steele....................	10,228	88,165	—	25,000	347,000	9,016
	16,045	131,248	—	—	—	—
Gregory S. Skinner............	10,000	1,500	—	25,000	347,000	8,976
	13,000	38,350	—	—	—	—
Dennis J. Allingham...........	15,103	124,101	—	20,000	277,600	6,720
	25,000	200,250	—	—	—	—
	16,147	132,714	—	—	—	—
Ronald L. Midyett	30,000	100,090	17,778	—	—	—
	10,000	19,497	7,799	—	—	—
Molly A. Hemmeter	—	—	—	12,500	96,000	4,585
	—	—	—	12,500	173,500	4,585

(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) The Named Executive Officers exercised their option to purchase shares of the Company's common stock or had RSUs vest and they withheld or swapped the number of shares noted to cover the exercise price and/or the taxes owed on the event.

Employment Contracts and Potential Payments upon Termination or Change in Control

Employment Contracts

On February 15, 2012, the Company entered into a new executive employment agreement (the ***"Steele Agreement"***) with Mr. Steele, effective as of January 1, 2012, setting forth the terms of his employment. The Steele Agreement expires on December 31, 2014 unless renewed or extended by both parties, and provides that Mr. Steele shall be paid an annual base salary of $450,000 (which was Mr. Steele's annual base salary prior to entry into the Steele Agreement) through the term of the Steele Agreement, and participate in the annual cash incentive award plan. Mr. Steele is also eligible for grants of equity interests under the Equity Award Plan at such times and in such amounts as determined by the Compensation Committee.

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

Mr. Steele agreed, as part of the Steele 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. Steele agreed not to solicit any licensor to or customer of the Company for a period of two years following his termination.

On December 7, 2012, the Company entered into a new executive employment agreement (the ***"Skinner Agreement"***) with Mr. Skinner, effective as of January 1, 2013, setting forth the terms of his employment. The Skinner Agreement expires on December 31, 2015 unless renewed or extended by both parties, and provides that Mr. Skinner shall be paid an annual base salary of $310,000 through the term of the Skinner Agreement (unless modified by the Compensation Committee), and participate in the annual cash incentive award plan. Mr. Skinner is also eligible for grants of equity interests under the Equity Award Plan at such times and in such amounts as determined by the Committee.

Mr. Skinner agreed, as part of the Steele 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 Mr. Steele is terminated without cause or if he terminates his employment for good reason (generally, any relocation of Mr. Steele's place of employment, reduction in salary, reduction in his target bonus amount or material reduction of his duties or authority), Mr. Steele 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 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. Steele (and his spouse) until Mr. Steele attains age 65 or at such earlier time as Mr. Steele receives substantially equivalent health insurance coverage in connection with new employment. In addition, the Steele Agreement provides that if Mr. Steele is terminated without cause or terminates his employment for good reason within two (2) years following a "change of control," Mr. Steele will receive a severance payment equal to 150% of his annual base salary and the Company will pay the monthly premiums for health insurance coverage for Mr. Steele (and his spouse) until Mr. Steele attains age 65 or at such earlier time as Mr. Steele receives substantially equivalent health insurance coverage in connection with new employment. In the event of a "change of control," all of Mr. Steele's unvested stock options and other equity awards shall immediately vest and become exercisable.

The Steele Agreement provides that if Mr. Steele is terminated without cause, if he terminates his employment for good reason or if he retires at the end of the term of the Steele Agreement, the Company will pay or reimburse Mr. Steele for the monthly premiums for Medicare for the remainder of the lives of Mr. Steele and his spouse; provided that this benefit shall cease to be available at such time as Mr. Steele commences receiving substantially equivalent health insurance coverage in connection with new employment.

If Mr. Skinner is terminated without cause or if he terminates his employment for good reason (generally, any relocation of Mr. Skinner's place of employment, reduction in salary, reduction in his target bonus amount or material reduction of his duties or authority), Mr. Skinner will receive a severance payment equal to 100% of his annual base salary over a twelve month period, a pro-rated portion of any annual 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 at 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 and a pro-rated portion of any annual 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 at 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 Mr. Steele'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 26, 2013, the last day of Landec's fiscal year 2013, Mr. Steele and Mr. Skinner would have received the following severance benefits under the Steele 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	Total
Gary T. Steele (4)	$ 450,000	$ —	$ —	$ —	$ 5,012	$ 455,012
Gregory S. Skinner (4)	$ 310,000	$ —	$ —	$ —	$ 25,779	$ 335,779

(1) Reflects potential payments based on salaries as of May 26, 2013.
(2) The value of the accelerated vesting equals the difference (if positive) between the option exercise price and the last reported stock price for fiscal 2013 ($13.88), multiplied by the number of options that would have been accelerated on May 26, 2013.
(3) The dollar value of restricted stock was calculated using the last reported stock price for fiscal 2013 ($13.88).
(4) Mr. Steele and Mr. Skinner did not hold any unvested stock options or restricted stock units as of May 26, 2013.

If Mr. Steele'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 26, 2013, the last day of Landec's fiscal year 2013, Mr. Steele and Mr. Skinner would have received the severance benefits under the Steele Agreement and Skinner Agreement set forth above, except that amounts received for base salary would have been $675,000 and $465,000 for Mr. Steele and Mr. Skinner, respectively, and therefore total compensation would have been $680,012 and $490,779 for Mr. Steele and Mr. Skinner, respectively.

Policies and Procedures with Respect to Related Party Transactions

The Audit Committee, all of whose members are independent directors, review and approve 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. 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

In July 2003, Apio entered into a purchase agreement (the "***Purchase Agreement***") with Beachside Produce, LLC ("***Beachside***"), and the Growers (as defined below) to sell its domestic commodity vegetable business to Beachside. Beachside is owned and operated by a group of persons and entities (the "***Growers***") that supply produce to Apio, including Mr. Tompkins, who owns 12.5% of Beachside. In connection with the Purchase Agreement, Apio, Beachside and the Growers entered into a supply agreement pursuant to which Beachside and the Growers have agreed to supply produce to Apio for its value-added and export trading businesses. During fiscal year 2013, the Company paid Beachside $4.7 million for produce and recognized revenues of (i) $2.1 million derived from services provided to Beachside for cooling and storing produce and (ii) $414,000 from the sale of products to Beachside.

Apio purchases produce from Windset Holdings 2010 Ltd., a Canadian corporation ("***Windset***"), for sale to third parties. Apio holds a 20.1% equity interest in Windset. During fiscal year 2013, Apio purchased $2.0 million of produce from Windset.

During fiscal year 2013, Stacia Skinner, wife of Mr. Skinner, the Company's Chief Financial Officer, was employed at the Company until November 2, 2012 and received $24,081 in compensation. Mrs. Skinner, the Company's former Information Technology Director, did not report to Mr. Skinner.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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

To the Company's knowledge, based solely upon review of the copies of such reports filed with the SEC and written representations that no other reports were required, during the fiscal year ended May 26, 2013 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 21, 2013

APPENDIX A

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.

SECTION 4. GENERAL.

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. PROTECTION AGAINST DILUTION.

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

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

10.2 Certain Other Adjustments. The Committee may also make adjustments of the type described in Section 10(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. EFFECT OF A CHANGE IN CONTROL.

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. **LIMITATIONS ON RIGHTS.**

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

Neither the Plan nor any Award granted under the Plan shall be deemed to give any individual a right to remain an employee, consultant or director 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. <u>DURATION AND AMENDMENTS.</u>

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.

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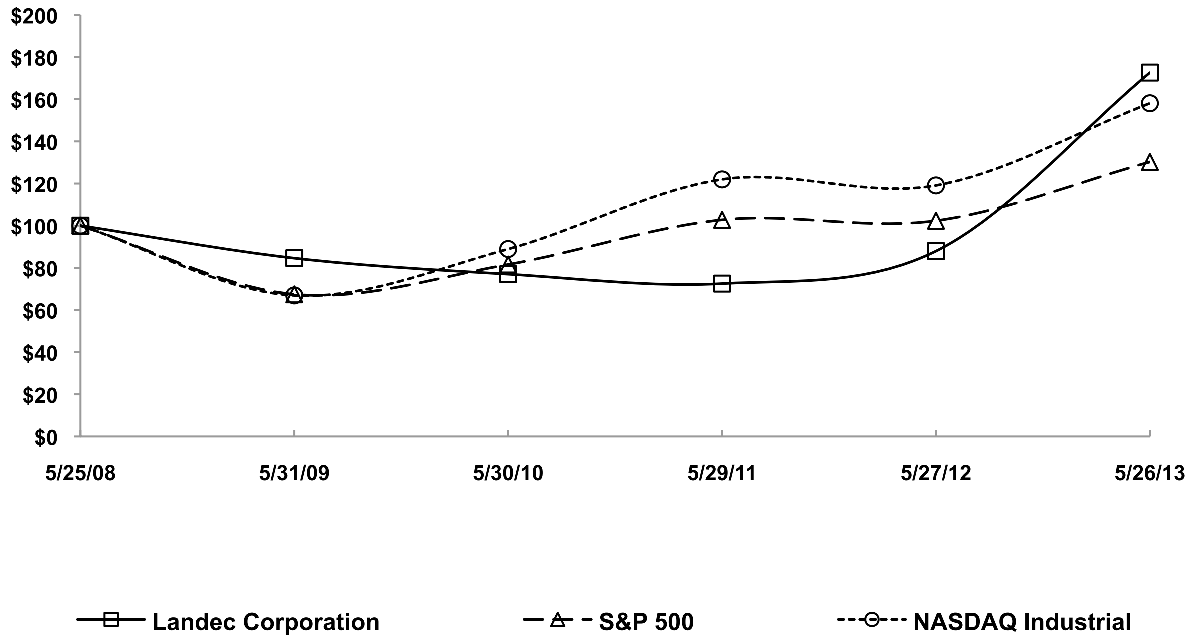
COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

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



*$100 invested on 5/25/08 in stock and 5/31/08 in index, including reinvestment of dividends.
Indexes calculated on month-end basis.

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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 26, 2013, 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)

Financials

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 or a smaller reporting company. See definition of "large accelerated filer" and "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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 $233,854,000 as of November 25, 2012, 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 19, 2013, there were 26,464,518 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its October 2013 Annual Meeting of Stockholders which statement will be filed not later than 120 days after the end of the fiscal year covered by this report, are incorporated by reference in Part III hereof.

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LANDEC CORPORATION
ANNUAL REPORT ON FORM 10-K

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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 market differentiated products in food and biomedical materials 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 materials are generally proprietary in that they are specially formulated for specific customers to meet specific commercial applications and in some cases, specific regulatory requirements. The Company’s polymer technologies, along with its customer relationships and trade names, are the foundation and a key differentiating advantage on which Landec has built its business.

Landec has three core businesses – Food Products Technology, Food Export and HA-based Biomaterials, each of which is described below. Financial information concerning the industry segments for which the Company reported its operations during fiscal years 2011, 2012 and 2013 is summarized in Note 14 to the Consolidated Financial Statements.

Landec’s wholly-owned subsidiary, Apio, Inc. (“Apio”), operates our Food Products Technology 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® and GreenLine® brands. In Apio’s value-added operations, produce is processed by trimming, washing, mixing, 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, for certain products, eliminates the need for ice during the distribution cycle and helps to ensure that consumers receive fresh produce by the time the product makes its way through the supply chain. Apio also licenses the BreatheWay technology to partners such as Chiquita Brands International, Inc. (“Chiquita”) for packaging and distribution of bananas and to Windset Holding 2010 Ltd., a Canadian corporation (“Windset”), for packaging of greenhouse grown cucumbers, peppers and tomatoes.

Apio also operates the Food Export business through its subsidiary, Cal Ex Trading Company (“Cal-Ex”). The Export business purchases and sells whole fruit and vegetable products predominantly to Asian markets.

Landec’s wholly-owned subsidiary, Lifecore Biomedical, Inc. (“Lifecore”), operates our HA-based Biomaterials business and is principally involved in the development and manufacture of products utilizing hyaluronan, a naturally occurring polysaccharide that is widely distributed in the extracellular matrix of connective tissues in animals including humans. Lifecore’s products are primarily sold for use in three medical areas: (1) Ophthalmic, (2) Orthopedic and (3) Veterinary. Lifecore also supplies limited quantities of HA to customers pursuing other medical applications, such as aesthetic surgery, medical device coatings, tissue engineering and pharmaceuticals. Lifecore leverages its fermentation process to manufacture premium, pharmaceutical-grade HA, and uses its aseptic filling capabilities to also deliver private-labeled HA finished goods to its customers. In addition, Lifecore manufactures and sells it own HA-based finished goods in several foreign markets. Lifecore is known as a premium supplier of HA. Its name recognition allows Lifecore to attract new customers and sell new products and offer its services with a minimal marketing and sales infrastructure.

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

Landec has two polymer technology platforms. The first platform is its Intelimer polymer and the second is Lifecore's HA.

A) Intelimer Polymers

Intelimer polymers are crystalline, hydrophobic polymers that have unique properties and benefits.

The first unique feature of the Intelimer polymer system is the way that it uses 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.

A second unique feature of Intelimer polymer materials is its controlled release properties. The polymer is able to deliver active ingredients with low or no burst, with a sustained release over periods of time. Finally, Intelimer polymers can be designed to contain up to 80% renewable materials from components of natural raw materials such as rapeseed oil, palm oil or coconut oil, and can be supplied in biocompatible and bioerodible forms.

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. The reversible transitions between crystalline and amorphous states are illustrated in *Figure 1* below.

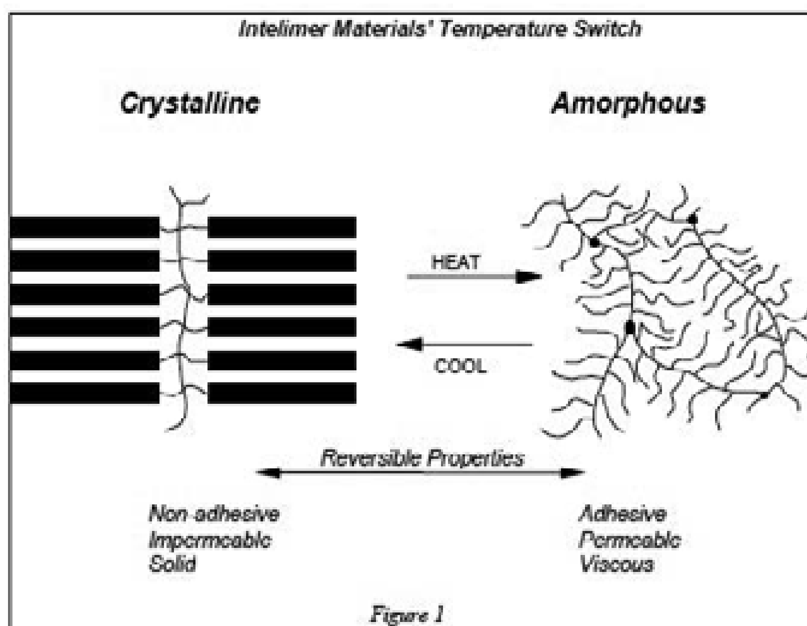


Figure 1

This chemical structure provides an additional benefit. Spatially distinct regions of the Intelimer polymer confer different physical properties on the material. Each part can be tuned independently to meet the needs of a given application. For example, the switching temperature (which arises from one part of the chain) can be adjusted independently of adhesive properties (which arise from another part of the chain).

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.

B) Hyaluronan Biopolymers

Hyaluronan is a non-crystalline, hydrophilic polymer that exists naturally 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 lubrication and 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 for an increasing variety of medical applications.

Hyaluronan can 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.

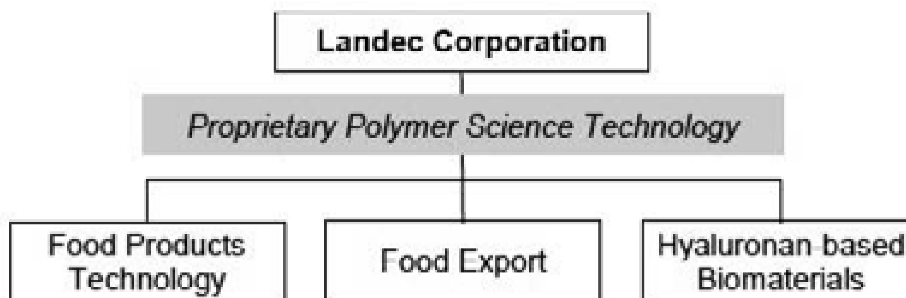
Hyaluronan was first demonstrated to have commercial medical utility as a viscoelastic solution in cataract surgery. In this application, it is used for maintaining the shape of the anterior chamber and protecting corneal tissue during the removal and implantation of intraocular lenses. The first ophthalmic hyaluronan product, produced by extraction from rooster comb tissue, became commercially available in the United States in 1981. Hyaluronan-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. Lifecore's hyaluronan is also used as an orthopedic carrier vehicle for allogeneic freeze-dried demineralized bone as the active component of devices to treat the symptoms of osteoarthritis, and as a formulation component to provide increased lubricity to medical devices. Lifecore's hyaluronan has also been utilized in veterinary drug applications to treat traumatic arthritis.

Trademarks/Trade names

Intelimer®, Landec®, Apio™, Eat Smart®, BreatheWay®, GreenLine®, Clearly Fresh™, Lifecore®, LUROCOAT® and Ortholure™ 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.

Description of Core Business

Landec participates in three core business segments: Apio with the Food Products Technology and Food Export businesses and Lifecore with the HA Biomaterials business.



A) Food Products Technology Business

The Company began marketing its proprietary Intelimer-based BreatheWay membranes in 1996 for use in the fresh-cut produce packaging market, historically one of the fastest growing segments in the food industry. Landec's proprietary BreatheWay packaging technology is used to package Eat Smart and GreenLine branded and private label fresh-cut or whole produce, resulting in a convenient, ready-to-eat finished product that achieves increased shelf life and reduced shrink (waste) without the need for ice during the distribution cycle. These products are referred to as "value-added" products. In 1999, the Company acquired Apio, its then largest customer in the Food Products Technology business and one of the nation's leading marketers and packers of produce and specialty packaged fresh-cut vegetables. Apio utilizes state-of-the-art fresh-cut processing facilities and year-round access to quality vegetable sourcing to produce products which Apio distributes to top U.S. retail grocery chains, major club stores and foodservice customers. The Company's proprietary BreatheWay packaging business has been combined with Apio into a subsidiary that retains the Apio name. This vertical integration within the Food Products Technology business gives Landec direct access to the large and growing fresh-cut and whole produce market. In April 2012, Apio acquired GreenLine Holding Company ("GreenLine"), the number one processor and marketer of value-added, fresh-cut green beans in the U.S. GreenLine's financial results are included in Apio's Food Products Technology business (see Note 2 to the Consolidated Financial Statements). The acquisition of GreenLine provides Apio with new customers, new processing locations and new distribution centers which will allow Apio greater access to new and existing customers. In addition, because of GreenLine's retail market share for fresh-cut green beans, Apio sees an opportunity to cross sell its Eat Smart® line of fresh-cut vegetables to existing GreenLine customers who are currently not carrying the Eat Smart line of products and to cross sell GreenLine® products to Eat Smart customers currently not carrying the GreenLine line of products.

The Technology: 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 extends the shelf life and quality of fresh-cut and whole produce.

Fresh-cut produce is cut, washed, and packaged in a form that is ready to use by the consumer and is thus typically sold at premium price levels compared to unpackaged produce. The total U.S. fresh produce market is estimated to be $100 billion to $120 billion. Of this, U.S. retail sales of fresh-cut produce are estimated to comprise 10% of the fresh produce market.

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 from vegetable to vegetable and from fruit to fruit. 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. Shortcomings of conventional packaging materials have not significantly hindered the growth in the fresh-cut salad market because lettuce, unlike many vegetables and fruit, has low respiration requirements. 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 thinks 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 Permeability. 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.

The Company has demonstrated that the growth of the fresh-cut produce market has been driven by consumer demand and the willingness to pay for convenience, freshness, uniform quality, and safety delivered to the point of sale. Landec believes that growth of the overall produce market will be driven by the increasing demand for the convenience and nutrition of fresh-cut produce as nearly 10% of Americans are diabetic and over a third of American adults are considered obese. In addition, with recent regulations requiring more visibility into the calories in what we eat, demand for healthy foods is increasing. This increasing demand will in turn require packaging that provides for high quality produce and technology that extends the shelf life of produce that is transported to fresh-cut distributors in bulk and pallet quantities. The Company thinks that in the future its BreatheWay packaging technology will be useful for packaging a diverse variety of fresh-cut and whole produce products.

Landec is working with leaders in club stores, retail grocery chains and with the recent acquisition of GreenLine, food service customers. The Company thinks it will have growth opportunities for the next several years through new customers and innovative products in the United States, expansion of its existing customer relationships, and through export and shipments of specialty packaged produce.

Landec manufactures its BreatheWay packaging through selected qualified contract manufacturers. In addition to using BreatheWay packaging for its value-added produce business, the Company markets and sells BreatheWay packaging directly to select partner food distributors.

The Business: Food Products Technology

The Food Products Technology business, which operates through our Apio subsidiary, had revenues of approximately $320 million for the fiscal year ended May 26, 2013, $208 million for the fiscal year ended May 27, 2012 and $176 million for the fiscal year ended May 29, 2011.

Based in Guadalupe, California, Apio's primary business is fresh-cut and whole value-added products primarily packaged in our proprietary BreatheWay packaging. The fresh-cut value-added products business markets a variety of fresh-cut and whole vegetables to the top retail grocery chains, club stores and food service operators. During the fiscal year ended May 26, 2013, Apio shipped approximately twenty-eight million cartons of produce to its customers throughout North America, primarily in the United States.

There are five major distinguishing characteristics of Apio that provide competitive advantages in the Food Products Technology market:

Value-Added Supplier: Apio has structured its business as a marketer and seller of branded and private label fresh-cut and whole value-added produce. It is focused on selling products under its Eat Smart and GreenLine brands and private label brands for its fresh-cut and whole value-added products. 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.

Reduced Farming Risks: Apio reduces its farming risk by not taking ownership of farmland, and instead, contracts with growers for produce and during certain times of the year enters into joint ventures with growers for produce. The year-round sourcing of produce is a key component to the fresh-cut and whole value-added processing business.

Access to Customer Base: Apio has strategically invested in the rapidly growing fresh-cut and whole value-added business. Apio's value-added processing plant in Guadalupe, CA, is automated with state-of-the-art vegetable processing equipment. Apio operates one large central processing facility in one of the lowest cost growing regions in California, the Santa Maria Valley, and for the majority of its non-green bean vegetable business, use its packaging technology for nationwide delivery. With the acquisition of GreenLine, Apio now has three East Coast processing facilities and five East Coast distribution centers for nationwide delivery of green beans and recently

Apio began processing non-green bean products in one of our East Coast processing facilities 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 value-added 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 snack packs. During the last twelve months,, Apio has introduced four new unique products.

Products Currently in 80% of U.S. Retail Grocery Stores: With the acquisition of GreenLine, Apio now has products in approximately 80% of all U.S. retail grocery stores. This gives Apio the opportunity to cross sell Eat Smart value-added products to GreenLine customers and GreenLine value-added products to Eat Smart customers.

Apio established its Apio Packaging division in 2005 to advance the sales of BreatheWay packaging technology for shelf-life sensitive vegetables and fruit to third party partners outside of Apio's core value-added business. The Company's specialty packaging for case liner products extends the shelf life of certain produce commodities up to 50%. This shelf life extension can enable the utilization of alternative distribution strategies to gain efficiencies or reach new markets while maintaining product quality to the end customer.

Apio Packaging's first program has concentrated on bananas and was formally consummated when Apio entered into an agreement to supply Chiquita with its proprietary banana packaging technology. This global agreement applies to the ripening, conservation and shelf-life extension of bananas. The BreatheWay packaging technology extends the shelf-life of bananas by approximately ten days.

In June 2008, Apio entered into a collaboration agreement with Seminis Vegetable Seeds, Inc., a wholly-owned subsidiary of Monsanto Company ("Monsanto"), to develop novel broccoli and cauliflower products for the exclusive sale by Apio in the North American market. These novel products are packaged in Landec's proprietary BreatheWay packaging and commercial sales started in 2012 under Monsanto's Beneforte® brand to retail grocery and club store chains.

In June 2010, Apio entered into an exclusive license agreement with Windset for Windset to utilize Landec's proprietary breathable packaging to extend the shelf life of greenhouse grown cucumbers, peppers and tomatoes. Commercial sales of Windset peppers in BreatheWay packaging have recently begun.

On February 15, 2011, Apio entered into a share purchase agreement (the "Purchase Agreement") with Windset. Pursuant to the Purchase Agreement, Apio purchased 150,000 senior preferred shares for $15 million and 201 common shares for $201 (the "Purchased Shares"). The Company's common shares represent a 20.1% interest in Windset. The non-voting senior 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 Purchase Agreement. The Purchase Agreement includes a put and call option, which can be exercised on the sixth anniversary of the Purchase Agreement whereby Apio can exercise the put to sell its Purchased Shares to Windset, or Windset can exercise the call to purchase the Purchased Shares from Apio, in either case, at a price equal to 20.1% of the appreciation in the fair market value of Windset from the date of the Company's investment through the put/call date, plus the purchase price of the Purchased Shares. Under the terms of the arrangement with Windset, the Company is entitled to designate one of five members on the Board of Directors of Windset.

The Company thinks that hydroponically grown produce using Windset's know how and growing practices will result in higher yields with competitive growing costs that will provide dependable year round supply to Windset's customers. In addition, the produce grown in Windset's greenhouses 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. Windset currently has three million square feet of greenhouses in California with plans to double that capacity by December 2013. In addition to growing produce in their 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 to Asia through Apio's export company, Cal-Ex. The Food Export business is a buy/sell business that realizes a commission-based margin on average in the 5-8% range.

The Food Export business had revenues of approximately $79 million for the fiscal year ended May 26, 2013, $71 million for the fiscal year ended May 27, 2012 and $62 million for the fiscal year ended May 29, 2011.

Apio is strategically positioned to benefit from the growth in export sales to Asia and other parts of the world over the next decade with Cal-Ex. 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) Hyaluronan-based Biomaterials Business

Our HA Biomaterials business operates through our Lifecore subsidiary, which Landec acquired in April 2010. Lifecore had revenues of approximately $41 million for the fiscal year ended May 26, 2013, $34 million for the fiscal year ended May 27, 2012 and $33 million for the fiscal year ended May 29, 2011.

The Technology: Hyaluronan-based Biomaterials

Lifecore uses its fermentation process and aseptic formulation and filling expertise to become a leader in the development of HA-based products for multiple applications and to take advantage of non-HA device and drug opportunities which leverage its expertise in manufacturing and aseptic syringe filling capabilities. Elements of Lifecore's strategy include the following:

- *Establish strategic relationships with market leaders.* Lifecore will continue to develop applications for products with partners who have strong marketing, sales and distribution capabilities to end-user markets. Through its strong reputation and history of providing premium HA products, Lifecore has been able to establish long-term relationships with the market leading ophthalmology and orthopedics companies.

- *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 further uses for HA in other medical applications, such as wound care, aesthetic surgery, drug delivery, device coatings and pharmaceuticals. 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 is currently utilizing its manufacturing capabilities to provide contract services for customers related to aseptic filling equipment, fermentation and purification and continues to seek new opportunities for contract services.

- *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 manufacturing of aseptically-packaged, finished sterile products to developing and manufacturing its own proprietary products.

Ophthalmic Applications

Cataract Surgery. A primary commercial application for Lifecore's HA is in cataract surgery. HA, in the form of a viscoelastic solution, is used to maintain a deep chamber during anterior segment surgeries (including cataract extraction and intraocular lens implantation) and to protect the corneal endothelium and other ocular tissue. These solutions have been shown to reduce surgical trauma and thereby contribute to more rapid recovery with fewer complications than were experienced prior to the use of viscoelastics. HA-based products are used in the majority of cataract surgeries in the world.

Lifecore currently sells HA for this application to leading producers of ophthalmic surgical products in the world for inclusion in their proprietary viscoelastic solutions.

Lifecore has developed its own viscoelastic solution, LUROCOAT Ophthalmic Viscoelastic. Lifecore received CE marking for LUROCOAT Ophthalmic Viscoelastic in 1997, allowing LUROCOAT Ophthalmic Viscoelastic to be marketed and sold outside the United States. Lifecore has distribution agreements with multiple companies to supply its HA-based LUROCOAT Ophthalmic Viscoelastic under private label.

Lifecore estimates that its HA products have been used in over 50 million ophthalmic patients globally since 1983.

Orthopedic Applications

Lifecore supplies an aseptic HA solution to a customer which utilizes the solution as a carrier vehicle for its allogeneic demineralized, freeze-dried bone in a final putty composition trademarked as “DBX Demineralized Bone Matrix”. This bone putty is provided to orthopedic surgeons through the distribution channels established and managed by their customers.

Lifecore also supplies a private-labeled finished orthopedic viscosupplement to another customer and HA raw material to yet another customer for formulation in their proprietary viscosupplement.

Veterinary Applications

Lifecore manufactures an aseptically processed, private-labeled HA solution for use as a veterinary viscosupplement in an equine injectable drug for a customer.

Lifecore estimates that its veterinary HA product has been used in over 700,000 equine procedures worldwide.

Product Development

In conjunction with partners, Lifecore pursues product development activities for HA-based applications with certain clients. The majority of the projects are intended to demonstrate that Lifecore’s HA is suitable for a particular medical application. Suitability is often measured by detailed specifications for product characteristics such as purity, stability, viscosity and molecular weight, as well as the primary efficacy for a particular medical application in a clinical setting.

Other Non-Core Businesses

Seeds Business – Intellicoat® Seed Coatings

Landec developed Intellicoat seed coating applications are designed to control seed germination timing, increase crop yields, reduce risks and extend crop-planting windows. Pollinator Plus® coatings, commercialized by Landec over a decade ago, are currently available on male inbred corn used by seed companies as a method for spreading pollination to increase yields and reduce risk in the production of hybrid seed corn. This business was sold to INCOTEC Holding North America, Inc. (“INCOTEC”) in June 2012 (see Note 3 to the Consolidated Financial Statements).

Industrial Materials and Adhesives

Landec’s industrial product development strategy focuses on coatings, catalysts, resins, additives and adhesives in the polymer materials market. During the product development stage, the Company identifies corporate partners to support the ongoing development and testing of these products, with the ultimate goal of licensing the applications at the appropriate time. The Company licensed it proprietary pressure sensitive adhesives to Nitta Corporation (“Nitta”) for use in the manufacturing of electronic components by their customers and the Company has licensed its latent thermoset catalysts technology to Air Products and Chemicals, Inc. for use in thermoset chemistries such as epoxy, polyurethane, and unsaturated polyester.

Personal Care and Cosmetic Applications

Landec’s personal care and cosmetic applications strategy is focused on supplying Intelimer materials to industry leaders for use in lotions and creams, as well as color cosmetics, lipsticks and hair care. The Company's exclusive marketing partner, Air Products and Chemicals, Inc. (“Air Products”), is currently shipping products to L’Oreal, Mentholatum, Louis Widmer, Aris Cosmetics and other companies for use in lotions and creams. The rights to develop and sell Landec’s polymers for personal care products were licensed to Air Products in March 2006 along with the latent catalyst rights. The Company’s Intelimer polymers are currently in over 50 personal care products worldwide.

Sales and Marketing

Apio is supported by dedicated sales and marketing resources. Lifecore primarily sells products to customers under established supply agreements and also through distribution agreements. Lifecore does not sell to the end user, and, therefore, has no dedicated sales and marketing employees. The Company intends to expand its internal sales capacity as more products progress toward commercialization and as business volume expands geographically. Apio has 36 sales and marketing employees, located in central California and throughout the U.S., supporting the Food Products Technology business and the Food Export business. During fiscal years 2013, 2012 and 2011, sales to the Company's top five customers accounted for approximately 40%, 45% and 44%, respectively, of its revenues, with the top two customers from the Food Products Technology segment accounting for approximately 16% and 13%, 17% and 11% and 16% and 10%, respectively, of the Company's revenues.

Seasonality

The Company's sales are moderately seasonal. The Food Products Technology business can be affected by seasonal weather factors which have impacted quarterly results, such as the high cost of sourcing product due to a shortage of essential value-added produce items. 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. Lifecore's business is not significantly affected by seasonality.

Manufacturing and Processing

Food Products Technology 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 Landec has transitioned virtually all of the label package conversion to Apio's Guadalupe facility to meet the increasing product demand and to provide additional developmental capabilities.

Apio processes virtually all of its fresh-cut, value-added non-green bean products in its processing facility located in Guadalupe, California. 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, value-added green bean products, acquired with the acquisition of GreenLine in April 2012, in four processing plants located in Bowling Green, Ohio; Hanover, Pennsylvania; Vero Beach, Florida and Pico Rivera, California.

Hyaluronan-based Biomaterials Business

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

Lifecore produces its HA through a bacterial fermentation process. In the early 1980s, Lifecore introduced the bacterial fermentation process to manufacture premium pharmaceutical-grade HA, and received patent protection in 1985. Lifecore's fermentation process patent expired in 2002. Previously, medical grade HA was commercially available through an extraction process from rooster combs. Lifecore believes that the fermentation manufacturing approach is superior to rooster comb extraction because of greater efficiency and flexibility, a more favorable long-term regulatory environment, and better economies of scale in producing large commercial quantities.

Lifecore's 114,000 square foot facility in Chaska, Minnesota is used primarily for the HA manufacturing process, formulation and aseptic syringe and bulk filling. The Company considers that the current inventory on-hand, together with its 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. Currently, 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 applications.

The FDA inspects the Company's manufacturing systems periodically and requires compliance with the FDA's Quality System Regulation ("QSR"). In addition, Lifecore's corporate partners conduct intensive quality audits of the facility and its operations. Lifecore also periodically contracts with independent regulatory consultants to conduct audits of its operations. As a result, 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 (21 CFR 820, 21 CFR 210-211, EudraLex Volume 4, ISO 13485, European Medical Device Directive, Canadian Medical Device Regulations ICH Q7, and Australian Therapeutic Goods Regulations). Compliance with these international standards of quality greatly assists in the marketing of Lifecore's products globally.

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 manufacture 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 26, 2013, May 27, 2012 and May 29, 2011 were $9.3 million, $9.6 million and $9.3 million, respectively. Research and development expenditures funded by corporate or governmental partners were $2.1 million during fiscal year 2013 and none in fiscal years 2012 and 2011. 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 have 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 26, 2013, Landec had 65 employees engaged in research and development with experience in polymer and analytical chemistry, product application, product formulation, mechanical and chemical engineering.

Competition

The Company operates in highly competitive and rapidly evolving fields, and new developments are expected to continue at a rapid pace. Competition from large food processors, packaging companies, medical and pharmaceutical companies is intense. In addition, the nature of the Company's collaborative arrangements may result in its corporate partners and licensees becoming competitors of the Company. 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 41 U.S. patents issued of which 27 remain active as of May 26, 2013 with expiration dates ranging from 2014 to 2028. The Company's issued and pending patents include claims relating to compositions, devices and use of a class of temperature and time sensitive polymers that exhibit distinctive properties of permeability, adhesion and viscosity control. 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 or 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 the Company's business, operating results and financial condition.

Litigation, which could result in substantial costs to the Company, may also be necessary to enforce any patents issued or licensed to the Company or to determine the scope and validity of third party proprietary rights. If competitors of the Company prepare and file patent applications in the United States that claim technology also claimed by the Company, the Company may have to participate in interference proceedings declared by the U.S. Patent and Trademark Office to determine priority of invention, which could result in substantial cost to and diversion of effort by the Company, even if the eventual outcome is favorable to the Company. Any such litigation or interference proceeding, regardless of outcome, could be expensive and time consuming and could subject the Company to significant liabilities to third parties, require disputed rights to be licensed from third parties or require the Company to cease using such technology and consequently, could have a material adverse effect on the Company's business, operating results and financial condition.

In addition to patent protection, the Company relies on trade secrets, proprietary know-how, technological advances and customer relationships which the Company seeks to protect, in part, by confidentiality agreements with its collaborators, employees and consultants. There can be no assurance that these agreements will not be breached, that the Company will have adequate remedies for any breach, or that the Company's trade secrets and proprietary know-how will not otherwise become known or be independently discovered by others.

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 and in the Company’s ongoing research and development activities. Some of the Company’s products are subject to extensive and rigorous regulation by the FDA, which regulates some of the products as medical devices and which, in some cases, requires Pre-Market Approval (“PMA”), and by foreign countries, which regulate some of the products as medical devices or drugs. Under the Federal Food, Drug, and Cosmetic Act (“FDC Act”), the FDA regulates the clinical testing, manufacturing, labeling, distribution, sale and promotion of medical devices in the United States.

Following the enactment of the Medical Device Amendments of 1976 to the FDC Act, the FDA classified medical devices in commercial distribution at the time of enactment (“pre-Amendment devices”) into one of three classes - Class I, II or III. This classification is based on the controls necessary to reasonably assure the safety and effectiveness of medical devices. Class I devices are those whose safety and effectiveness can reasonably be assured through general controls, such as establishment registration and labeling, and adherence to FDA mandated current QSR requirements for devices. Most Class I devices are exempt from FDA premarket review, but some require premarket notification (“510(k) Notification”). Class II devices are those whose safety and effectiveness can reasonably be assured through the use of special controls, such as performance standards, post market surveillance, patient registries and FDA guidelines. Class III devices are devices that require a PMA from the FDA to assure their safety and effectiveness. A PMA ordinarily must contain data from a multi-center clinical study demonstrating the device’s safety and effectiveness for the intended use and patient population. Class III devices are generally life sustaining, life supporting or implantable devices, and also include most devices that were not on the market before May 28, 1976 (“new devices”) and for which the FDA has not made a finding of substantial equivalence based upon a 510(k) Notification. A pre-Amendment Class III device does not require a PMA unless and until the FDA issues a regulation requiring submission of a PMA application for the device.

The FDA requires clinical data for a PMA application and has the authority to require such data for a 510(k) Notification. If clinical data are necessary, the company that sponsors the study must follow the FDA’s Investigational Device Exemption (“IDE”) regulations governing the conduct of human studies. The FDA’s regulations require institutional review board approval of the study and the informed consent of the study subjects. In addition, for a “significant risk” device, the FDA must approve an IDE application before the study can begin. Non-significant risk

devices do not require FDA approval of an IDE application, and are conducted under the "abbreviated IDE" requirements. Once in effect, an IDE or abbreviated IDE permits evaluation of devices under controlled clinical conditions. After a clinical evaluation process, the resulting data may be included in a PMA application or a 510(k) Notification. The PMA may be approved or the 510(k) Notification may be cleared by the FDA only after a review process that may include FDA requests for additional data, sometimes requiring further studies.

If a manufacturer or distributor of medical devices can establish to the FDA's satisfaction through a 510(k) Notification that a new device is substantially equivalent to what is called a "predicate device," i.e., a legally marketed Class I or Class II medical device or a legally marketed pre-Amendment Class III device for which the FDA has not required a PMA, the manufacturer or distributor may market the new device. In the 510(k) Notification, a manufacturer or distributor makes a claim of substantial equivalence, which the FDA may require to be supported by various types of information, including data from clinical studies, showing that the new device is as safe and effective for its intended use as the predicate device.

Following submission of the 510(k) Notification, the manufacturer or distributor may not place the new device into commercial distribution until the FDA issues a "substantial equivalence" determination finding the new device to be substantially equivalent to a predicate device. The FDA has a 90 day period in which to respond to a 510(k) Notification (30 days for a Special 510(k)). Depending on the specific submission and subsequent agency information requests, the 510(k) Notification process can take significantly longer to complete. The FDA may agree with the manufacturer or distributor that the new device is substantially equivalent to a predicate device and allow the new device to be marketed in the United States. The FDA may, however, determine that the new device is not substantially equivalent and require the manufacturer or distributor to submit a PMA or require further information, such as additional test data, including data from clinical studies, before it is able to make a determination regarding substantial equivalence. Although the PMA process is significantly more complex, time-consuming and expensive than the 510(k) Notification process, the latter process can also be expensive and substantially delay the market introduction of a product. Modifications to a device that is marketed under a 510(k) Notification might require submission of a new 510(k) prior to their implementation, although some modifications can be made through a "note to file" procedure described in FDA guidance.

For devices that cannot be found "substantially equivalent" to a predicate device, the manufacturer must submit a PMA application, petition for reclassification, or submit a PMA application via the de novo process. A PMA must contain information on the materials and manufacturing process for the device, results of preclinical testing, clinical data, and labeling for the device. The FDA has 180 days to review a PMA application, but may request additional information, which could include additional studies. The FDA might refer a PMA to an advisory committee of outside experts to review and make recommendation on whether a device should be approved. After considering the data in the PMA application and the recommendations of an advisory committee, the FDA can approve the device, approve the device with conditions or refuse approval. Devices approved by the FDA are subject to periodic reporting requirements, and may be subject to restrictions on sale, distribution or use.

Hyaluronan products are generally Class III devices. In cases where the Company is supplying hyaluronan to a corporate partner as a raw material or producing a finished product under a license for the partner, the corporate partner is responsible for obtaining the appropriate FDA clearance or approval. Export of the Company's hyaluronan products generally requires approval of the importing country and compliance with the export provisions of the FDC Act.

Other regulatory requirements are placed on the manufacture, processing, packaging, labeling, distribution, recordkeeping and reporting of a medical device and on the quality control procedures, such as the FDA's device QSR regulations. Manufacturing facilities are subject to periodic inspections by the FDA to assure compliance with device QSR requirements. Lifecore's facility is subject to inspections as both a device and a drug manufacturing operation. For PMA devices, the Company is required to submit an annual report and to obtain approval of a PMA supplement for modifications to the device or its labeling. Other applicable FDA requirements include the medical device reporting ("MDR") regulation, which requires that the Company 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 FDA also requires reporting regarding notices of correction and the removal of a medical device.

If the Company is not in compliance with FDA requirements, the FDA or the federal government can order a recall, detain the Company's devices, refuse to grant 510(k) Notification clearances or PMA approvals, withdraw or limit product approvals, institute proceedings to seize the Company's devices, seek injunctions to control or prohibit marketing and sales of the Company's devices, assess civil money penalties and impose criminal sanctions against the Company, its officers or its employees.

There can be no assurance that any of the Company's clinical studies will show safety or effectiveness; that 510(k) Notifications or PMA applications or supplemental applications will be submitted or, if submitted, accepted for filing; that any of the Company's products that require clearance of a 510(k) Notification or approval of a PMA application or PMA supplement 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.

Product Liability

Product liability claims may be asserted with respect to the Company's products. The Company maintains product liability insurance coverage in amounts the Company deems to be adequate. There can be no assurance that the Company will have sufficient resources to satisfy product claims if they exceed available insurance coverage.

Employees

As of May 26, 2013, Landec had 526 full-time employees, of whom 431 were dedicated to research, development, manufacturing, quality control and regulatory affairs and 95 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 is 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.

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. On January 2, 2013, we reported that our audit committee reached a determination to restate our previously-filed interim financial statements for the first fiscal quarter of 2013 and that our previously-filed interim financial statements for the first fiscal quarter of 2013 should not be relied upon. We also reported management's determination that a material weakness existed in our internal control over financial reporting at August 26, 2012. As a result of the material weakness, management also concluded that our disclosure controls and procedures were not effective at August 26, 2012.

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, expose us to regulatory or legal proceedings, harm our reputation, or otherwise cause a decline in investor confidence.

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

Our Food Products Technology business is subject to weather conditions that affect commodity prices, crop quality and yields, and decisions by growers regarding crops 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. In fiscal year 2013, the Company's operating income was negatively impacted by approximately $5.0 million because of weather-related produce sourcing issues in the Food Products Technology business. 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.

The Global Economy is Experiencing Continued Volatility Following the Recent Economic Downturn, 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, softness in the housing market, severely diminished market liquidity, geopolitical conflicts, falling consumer confidence and high unemployment rates beginning in 2008. 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 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 factors which have impacted our financial results due to a shortage of essential value-added produce items, including the approximate $5.0 million negative impact on operating income which occurred in fiscal year 2013 due to weather-related produce sourcing issues. 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 vegetables and fruits markets. Other factors that affect our operations include:

the seasonality and availability 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.

Uncertainty Relating To Integration Of New Business Acquisitions.

The successful integration of new business acquisitions, including the GreenLine acquisition, 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, and sales and marketing efforts. In addition, the process of combining organizations located in different regions of the United States could cause the interruption of, or a loss of momentum in, the Company's activities. There can be no assurance that the Company will be able to retain key management, technical, sales and customer support personnel, or that the Company will realize the anticipated benefits of any acquisitions, and the failure to do so would have a material adverse effect on the Company's business, results of operations and financial condition.

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

Our success in generating significant sales of our products depends in part on our ability and 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 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 or our partners/customers are in the early stage of product commercialization of certain Intelimer-based specialty packaging, HA-based products and other Intelimer polymer products and many of our potential products are in development. 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, industrial, medical and pharmaceutical companies will depend substantially on developing, commercializing, achieving market acceptance of and reducing the cost of producing our products. In addition, commercial applications 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 Face Strong 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 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 operation at Apio's facility in Guadalupe, California or Lifecore's facility in Chaska, Minnesota 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. 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.

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. We may not be able to procure comparable materials at similar prices and terms within a reasonable time. 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.

We May Be Unable to Adequately Protect Our Intellectual Property Rights

We may receive notices from third parties, including some of our competitors, claiming infringement by our products of 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.

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 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. 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.

We are subject to FDA rules 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,
- product recalls and product seizures, including cessation of manufacturing and sales,
- operating restrictions, and
- criminal prosecution.

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 Food, Drug and Cosmetic Act (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 because these 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 regulation or 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 additive petition for approval by the FDA. The food additive petition process is lengthy, expensive and uncertain. A determination by the FDA that a food additive petition is necessary would have a material adverse effect on our business, operating results and financial condition.

Our Food Products Technology business is subject to the Perishable Agricultural Commodities Act (“PACA”) law. 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.

Lifecore’s existing products and its products under development are considered to be medical 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 required clearances or approvals will be granted on a timely basis, if at all.

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 and record keeping procedures for such products. Marketing clearances or approvals by these 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 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 the 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 the 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 International Sales May Expose Our Business to Additional Risks

For fiscal year 2013, approximately 30% of our total 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,

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 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 to 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 2013, sales to our top five customers accounted for approximately 40% of our revenues, with our two largest customers from our Food Products Technology segment accounting for approximately 16% and 13%, 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 Increase Our Exposure 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 Accordance with Market Conditions

The following events may cause the market price of our common stock to fluctuate significantly:

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.

These broad fluctuations may adversely affect the market price of our common stock.

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.

We Are Dependent on Our Key Employees and if One or More of Them Were to Leave, We Could Experience Difficulties in Replacing Them 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 would likely harm our business. In addition, competition for senior level personnel with knowledge and experience in our different lines of business is intense. If any of our key personnel were to leave, we would need to devote substantial resources and management attention to replace them. As a result, management attention may be diverted from managing our business, and we may need to pay higher compensation to replace these employees.

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

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

We Have Never Paid any Dividends on Our Common Stock

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

Our Profitability Could Be Materially and Adversely Affected if it Is Determined that the Book Value of Goodwill is Higher than Fair Value

Our balance sheet includes an amount designated as "goodwill" that represents a portion of our assets and our stockholders' equity. Goodwill arises when an acquirer pays more for a business than the fair value of the tangible and separately measurable intangible net assets. In accordance with accounting guidance, the amortization of goodwill has been replaced with an "impairment test" which requires that we compare the fair value of goodwill to its book value at least annually and more frequently if circumstances indicate a possible impairment. If we determine at any time in the future that the book value of goodwill is higher than fair value then the difference must be written-off, which could materially and adversely affect our reported profitability.

1B. Unresolved Staff Comments

None.

Item 2. ***Properties***

As of May 26, 2013, the Company owned or leased properties in Menlo Park, Arroyo Grande, Guadalupe and Pico Rivera, California; Chaska, Minnesota; Bowling Green, Perrysburg and McClure, Ohio; Hanover, Pennsylvania; Vero Beach, Florida; Rock Hill, South Carolina and Chester, New York.

These properties are described below:

Location	Business Segment	Ownership	Facilities	Acres of Land	Lease Expiration
Menlo Park, CA	Corporate	Leased	14,600 square feet of office and laboratory space	—	12/31/14
Chaska, MN	HA-based Biomaterials	Owned	114,000 square feet of office, laboratory and manufacturing space	27.5	—
Guadalupe, CA	Food Products Technology	Owned	199,000 square feet of office space, manufacturing and cold storage	17.7	—
Bowling Green, OH	Food Products Technology	Owned	55,900 square feet of office space, manufacturing and cold storage	7.7	—
Hanover, PA	Food Products Technology	Owned	18,700 square feet of office space, manufacturing and cold storage	15.3	—
Vero Beach, FL	Food Products Technology	Leased	9,200 square feet of office space, manufacturing and cold storage	—	12/31/14
Pico Rivera, CA	Food Products Technology	Leased	6,300 square feet of office space, manufacturing and cold storage	—	8/31/13
Rock Hill, SC	Food Products Technology	Owned	16,400 square feet of cold storage and office space	3.6	—
Chester, NY	Food Products Technology	Leased	32,900 square feet of cold storage and office space	—	Month-to-Month
McClure, OH	Food Products Technology	Leased	Farm land	185	12/31/14
Perrysburg, OH	Food Products Technology	Leased	9,000 square feet of office space	—	10/31/14
Arroyo Grande, CA	Food Export	Leased	1,100 square feet of office space	—	Month-to-Month

The obligations of the Company under its credit agreement with BMO Harris Bank N.A. ("BMO Harris") are secured by a lien on the Chaska, MN land and building. The obligations of the Company under its credit agreement with General Electric Capital Corporation ("General Electric") are secured by a lien on all of the land and buildings of the Food Products Technology segment.

Item 3. ***Legal Proceedings***

As of the date of this report, the Company is not a party to any legal proceedings.

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

Not applicable.

PART II

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

Market Information

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

Fiscal Year Ended May 26, 2013

	High	Low
4th Quarter ending May 26, 2013	$ 14.66	$ 10.48
3rd Quarter ending February 24, 2013	$ 12.87	$ 9.15
2nd Quarter ending November 25, 2012	$ 12.20	$ 8.86
1st Quarter ending August 26, 2012	$ 9.96	$ 6.72

Fiscal Year Ended May 27, 2012

	High	High
4th Quarter ending May 27, 2012	$ 7.44	$ 5.98
3rd Quarter ending February 26, 2012	$ 7.05	$ 5.15
2nd Quarter ending November 27, 2011	$ 6.58	$ 4.85
1st Quarter ending August 28, 2011	$ 6.94	$ 5.46

Holders

There were approximately 61 holders of record of 26,464,518 shares of outstanding Common Stock as of July 19, 2013. 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 the Company during fiscal year 2013. During fiscal year 2012, the Company repurchased and retired 917,244 shares of Common Stock for $5.0 million. During fiscal year 2011, the Company repurchased and retired 215,648 shares of Common Stock for $1.2 million. 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 Notes to Consolidated Financial Statements contained in Item 8 of this report.

	Year Ended May 26, 2013	Year Ended May 27, 2012	Year Ended May 29, 2011	Year Ended May 30, 2010	Year Ended May 31, 2009
Statement of Income Data: (in thousands)					
Revenues:					
Product sales	$ 439,574	$ 314,414	$ 273,338	$ 234,525	$ 231,793
Service revenues	2,134	3,138	3,391	3,699	4,145
Total revenues	441,708	317,552	276,729	238,224	235,938
Cost of revenue:					
Cost of product sales	377,078	262,859	227,167	201,466	198,369
Cost of service revenue	1,870	2,555	2,867	2,992	3,289
Total cost of revenue	378,948	265,414	230,034	204,458	201,658
Gross profit	62,760	52,138	46,695	33,766	34,280
Operating costs and expenses:					
Research and development	9,294	9,625	9,275	4,361	3,665
Selling, general and administrative	32,531	26,515	24,608	17,698	18,017
Other operating (income)/expenses	(3,933)	1,421	4,780	3,725	—
Total operating costs and expenses	37,892	37,561	38,663	25,784	21,682
Operating profit	24,868	14,577	8,032	7,982	12,598
Dividend income	1,125	1,125	328	—	—
Interest income	179	180	430	834	1,306
Interest expense and other	(2,008)	(929)	(820)	(88)	(8)
Other income	8,100	5,331	472	—	—
Net income before taxes	32,264	20,284	8,442	8,728	13,896
Income tax expense	(9,452)	(7,185)	(4,181)	(4,262)	(5,611)
Consolidated net income	22,812	13,099	4,261	4,466	8,285
Non-controlling interest	(225)	(403)	(341)	(482)	(555)
Net income applicable to common stockholders	$ 22,587	$ 12,696	$ 3,920	$ 3,984	$ 7,730
Basic net income per share	$ 0.87	$ 0.49	$ 0.15	$ 0.15	$ 0.30
Diluted net income per share	$ 0.85	$ 0.49	$ 0.15	$ 0.15	$ 0.29
Shares used in per share computation:					
Basic	25,830	25,849	26,397	26,382	26,202
Diluted	26,626	26,126	26,626	26,633	26,751

Financials

	May 26, 2013	May 27, 2012	May 29, 2011	May 30, 2010	May 31, 2009
Balance Sheet Data:					
(in thousands)					
Cash and cash equivalents	$ 13,718	$ 22,177	$ 8,135	$ 27,817	$ 43,459
Total assets	290,942	277,692	206,312	200,197	153,498
Long-term debt	40,305	47,317	19,830	23,770	—
Retained earnings	52,409	29,822	17,126	13,206	9,222
Total stockholders' equity	$ 178,693	$ 149,742	$ 136,055	$ 130,784	$ 125,406

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

Since its inception in October 1986, the Company has been engaged in the research and development of its Intelimer technology and related products. The Company has launched four product lines from this core development – QuickCast™ splints and casts in April 1994, which was subsequently sold to Bissell Healthcare Corporation in August 1997; BreatheWay packaging technology for the fresh-cut and whole produce packaging market in September 1995; Intelimer Polymer Systems that includes polymer materials for various industrial applications in June 1997 and for personal care applications in November 2003; and Intellicoat coated corn seeds in the Fall of 1999. In addition, in April 2010, the Company acquired Lifecore which develops and manufactures products utilizing hyaluronan, a naturally occurring polysaccharide that is widely distributed in the extracellular matrix of connective tissues in both animals and humans.

Landec has three core businesses – Food Products Technology, Food Export, and HA-based Biomaterials. The Food Products Technology 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 HA-based 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. See "Business - Description of Core Business".

As of May 26, 2013, the Company's retained earnings were $52 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 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; sales returns and allowances; recognition and measurement of current and deferred income tax assets and liabilities; the assessment of recoverability of long-lived assets; the valuation of 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.

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowance for doubtful accounts is based on review of the overall condition of accounts receivable balances and review of significant past due accounts. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventories

Inventories are stated at the lower of cost or market. If the cost of the inventories exceeds their expected market value, provisions are recorded currently for the difference between the cost and the market value. These provisions are determined based on specific identification for unusable inventory and an additional reserve, based on historical losses, for inventory currently considered to be usable.

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.

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.

Licensing revenue is recognized in accordance with prevailing accounting guidance. 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.

Contract revenue for research and development (R&D) 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 payments are received or when collection is assured.

When a sales arrangement contains multiple elements, the Company 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 estimated selling prices to allocate revenue between the elements of the 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 they represent separate units 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 the 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.

Goodwill and Other Intangibles

The Company's intangible assets are comprised of customer relationships with an estimated useful life of twelve 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 GreenLine by Apio in April 2012, (ii) upon the acquisition of Lifecore in April 2010 and (iii) 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 HA-based Biomaterials reporting unit and the acquisitions of Apio and GreenLine were allocated to our Food Products Technology 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 26, 2013, the HA-based Biomaterials reporting unit had $13.9 million of goodwill and the Food Products Technology reporting unit had $35.7 million of goodwill.

The Company tests its indefinite-lived intangible assets for impairment at least annually, in accordance with accounting guidance. For non-goodwill indefinite-lived assets, the Company performs a qualitative analysis in accordance with ASC 350-30-35. For goodwill, the Company performs a quantitative analysis in accordance with ASC 350-20-35.

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, and the determination of the fair value of each indefinite-lived intangible asset and reporting unit based upon projections of future net cash flows, discount rates and market multiples, which judgments and projections are inherently uncertain.

The Company tested its indefinite-lived intangible assets for impairment as of July 21, 2013 and determined that no adjustments to the carrying values of these assets were necessary as of that date. 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.

The Company uses the discounted cash flow ("DCF") approach to develop an estimate of fair value for goodwill. The DCF approach recognizes that current value is premised on the expected receipt of future economic benefits. Indications of value are developed by discounting projected future net cash flows to their present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment. The market approach is not used to value the Company's reporting units (the "reporting units") because insufficient market comparables exist to enable the Company to develop a reasonable fair value of its intangible assets due to the unique nature of each of the Company's reporting units.

The DCF approach requires the Company to exercise judgment in determining future business and financial forecasts and the related estimates of future net cash flows. Future net cash flows depend primarily on future product sales, which are inherently difficult to predict. These net cash flows are discounted at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment.

The DCF associated with the annual goodwill impairment analysis for the Food Products Technology reporting unit is based on management's five-year projection of revenues, gross profits and operating profits by fiscal year and assumes a 37% effective tax rate for each year. Management takes into account the historical trends of the Food Products Technology reporting unit and the industry categories in which it operates along with inflationary factors, current economic conditions, new product introductions, cost of sales, operating expenses, capital requirements and other relevant data when developing its projection. The estimated fair value of the Food Products Technology reporting unit as of July 21, 2013 was 111% of its book value at that date, therefore, no goodwill impairment was deemed to exist. For the test performed as of July 22, 2012, the projected cash flow from operations for determining the DCF for fiscal year 2013 was $10.2 million for the Food Products Technology reporting unit. The actual cash flow from operations for fiscal year 2013 was $13.6 million. The difference of $3.4 million was primarily due to the timing of working capital changes.

The DCF associated with the annual goodwill impairment analysis for the HA-based Biomaterials reporting unit is based on management's five-year projections of revenues, gross profits and operating profits by fiscal year and assumes a 37% effective tax rate for each year. Management takes into account the historical trends of HA-based Biomaterials reporting unit and the industry categories in which it operates along with inflationary factors, current economic conditions, new product introductions, cost of sales, operating expenses, capital requirements and other relevant data when developing its projection. The trade name intangible asset was valued using the relief from royalty valuation method and the customer relationship intangible asset was valued using the multi-period excess earnings method. The fair value of goodwill was calculated as the excess of consideration paid, including the fair value of contingent consideration under the terms of the purchase agreement, over the fair value of the tangible and intangible assets acquired less liabilities assumed. The Company updated its analysis of the fair value of the indefinite-lived intangible assets as of its annual impairment analysis date, concluding that the fair value of the HA-based Biomaterials reporting unit, as determined by the DCF approach, was 117% of its book value at that date, therefore, no goodwill impairment was deemed to exist. For the test performed as of July 22, 2012, the projected cash flow from operations for determining the DCF for fiscal year 2013 was $8.4 million for the HA-based Biomaterials reporting unit. The actual cash flow from operations for fiscal year 2013 was $13.2 million. The difference of $4.8 million is primarily due to timing of working capital changes.

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 26, 2013, the Company had a valuation allowance of $783,000 against 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 presented in the balance sheet within accrued liabilities.

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. In addition, the accounting guidance requires the estimation of the expected forfeitures of stock-based awards at the time of grant. As a result, the Company uses historical data to estimate pre-vesting forfeitures and records stock-based compensation expense only for those awards that are expected to vest and revises those estimates in subsequent periods if the actual forfeitures differ from the prior estimates.

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 4 to the Consolidated Financial Statements). The Company has not elected the fair value option for any of its other eligible financial assets or liabilities.

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

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

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

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

As of May 26, 2013, the Company held certain assets and liabilities that are required to be measured at fair value on a recurring basis, including cash equivalents, marketable securities, interest rate swap and its minority interest investment in Windset.

The fair value of the Company's marketable securities is determined based on observable inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Therefore, the Company has categorized its marketable securities as a Level 1 measurement.

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.

The fair value of the Company's liability for contingent consideration as of May 27, 2012 was based on significant inputs not observed in the market and thus represented a Level 3 measurement. The Company determined the fair value of the liability for the contingent consideration as of May 27, 2012, based on a probability-weighted discounted cash flow analysis, as further discussed in Note 2 to the Consolidated Financial Statements.

The Company has elected the fair value option of accounting for its investment in Windset. The calculation of fair value utilizes significant unobservable inputs in the discounted cash flow models, 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 market value of the Company's investment in Windset for the fiscal years ended May 26, 2013 and May 27, 2012 was due to the Company's 20.1% minority interest in the change in the fair market value of Windset during those periods. 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 26, 2013	At May 27, 2012
Revenue growth rates	3% to 9%	3% to 24%
Expense growth rates	3% to 8%	3% to 18%
Income tax rates	15%	25%
Discount rates	18% to 28%	14% to 21%

The revenue growth, expense growth and income tax rate assumptions, consider the Company's best estimate of the trends in those items over the discount period. The discount rate assumption takes into account the risk-free rate of return, the market equity risk premium and the company's specific risk premium and then applies an additional discount for lack of liquidity of the underlying securities. The discounted cash flow valuation model used by the Company has the following sensitivity to changes in inputs and assumptions (in thousands):

	Impact on value of Windset investment as of May 26, 2013
10% increase in revenue growth rates	$1,700
10% increase in expense growth rates	($1,400)
10% increase in income tax rates	($100)
10% increase in discount rates	($900)

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, as of May 26, 2013 and May 27, 2012 (in thousands):

	Fair Value at May 26, 2013			Fair Value at May 27, 2012		
Assets:	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Marketable securities	$ 1,545	$ -	$ -	$ -	$ -	$ -
Investment in private company	-	-	29,600	-	-	21,500
Total...	$ 1,545	$ -	$ 29,600	$ -	$ -	$ 21,500
Liabilities:						
Contingent consideration...............	$ -	$ -	$ -	$ -	$ -	$ 3,933
Interest rate swap...........................	-	163	-	-	347	-
Total...	$ -	$ 163	$ -	$ -	$ 347	$ 3,933

Recent Accounting Pronouncements

Intangibles-Goodwill and Other

In September 2011, the FASB issued new guidance that will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill and intangibles impairment test. Under this amendment, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendment includes a number of events and circumstances for an entity to consider in conducting the qualitative assessment. The guidance is effective for fiscal years beginning after December 15, 2011 with early adoption permitted. The Company adopted this standard beginning in fiscal year 2013 and the adoption did not have a material impact on the Company's consolidated financial statements.

Presentation of Comprehensive Income

In December 2011, the FASB issued new guidance that improves the comparability, consistency, and transparency of financial reporting and increases the prominence of items reported in other comprehensive income by eliminating the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this standard require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Under either method, adjustments must be displayed for items that are reclassified from other comprehensive income ("OCI") to net income, in both net income and OCI. The standard does not change the current option for presenting components of OCI gross or net of the effect of income taxes, provided that such tax effects are presented in the statement in which OCI is presented or disclosed in the notes to the financial statements. Additionally, the standard does not affect the calculation or reporting of earnings per share. For public entities, the amendments in this ASU are effective for fiscal years, and interim periods within

those years, beginning after December 15, 2011 and are to be applied retrospectively, with early adoption permitted. The Company retrospectively adopted this standard beginning in fiscal year 2013.

Fair Value Measurement

In May 2011, the FASB issued new guidance effective for annual reporting periods beginning after December 15, 2011. This guidance amends certain accounting and disclosure requirements related to fair value measurements. Additional disclosure requirements in the update include: (1) for Level 3 fair value measurements, quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs; (2) for an entity's use of a nonfinancial asset that is different from the asset's highest and best use, the reason for the difference; (3) for financial instruments not measured at fair value but for which disclosure of fair value is required, the fair value hierarchy level in which the fair value measurements were determined; and (4) the disclosure of all transfers between Level 1 and Level 2 of the fair value hierarchy. The Company adopted this standard beginning in fiscal year 2013.

Disclosures about Offsetting Assets and Liabilities

In November 2011, the FASB issued new guidance effective for annual reporting periods beginning January 1, 2013. This guidance amends the disclosure requirements around offsetting to enable users of the financial statements to understand the effect of those arrangements on its financial position. Entities are required to disclose both gross and net information about the instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

Financials

Results of Operations

Fiscal Year Ended May 27, 2013 Compared to Fiscal Year Ended May 27, 2012

Revenues (in thousands):

	Fiscal Year ended May 26, 2013	Fiscal Year ended May 27, 2012	Change
Food Products Technology	$ 320,447	$ 207,582	54%
Food Export	78,568	71,485	10%
Total Apio	399,015	279,067	43%
HA-based Biomaterials	41,281	34,283	20%
Corporate	1,412	4,202	(66%)
Total Revenues	$ 441,708	$ 317,552	39%

Food Products Technology (Apio)

Apio's food products technology revenues consist of revenues generated from the sale of specialty packaged fresh-cut and whole value-added 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, value-added 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 increase in Apio's food products technology revenues for the fiscal year ended May 26, 2013 compared to the same period last year was primarily due to the following factors: (1) a $27 million increase in non-green bean value-added sales due to a 15% increase in unit volume sales to existing non-green bean customers resulting primarily from expanded product offerings, gaining additional distribution locations and growth in the fresh-cut vegetable category, (2) an $86 million increase in revenues from GreenLine which was acquired on April 23, 2012 and (3) a larger percentage of Apio's non-green bean value-added sales volume being generated from sales to club stores rather than retail grocery chains. These increases in revenue were partially offset by product mix changes in retail grocery chains to lower priced products from higher priced products.

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 increase in revenues in Apio's food export business for the fiscal year ended May 26, 2013 compared to the same period last year was primarily due to more favorable pricing for export products in fiscal year 2013 compared to fiscal year 2012 resulting in higher prices per unit sold.

HA-based 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 2013, (2) Orthopedic, which represented approximately 20% of Lifecore's revenues in fiscal year 2013 and (3) Veterinary/Other.

The increase in Lifecore's revenues for fiscal year 2013 compared to the same period last year was almost entirely due to increased sales of existing aseptically filled products to existing customers and from new aseptically filled products recently approved by the FDA to existing customers in the Ophthalmic area.

Corporate

Corporate revenues are generated from the licensing agreements with Air Products, Nitta and INCOTEC. The decrease in Corporate revenues for fiscal year 2013 compared to the same period of last year was due to the termination of the Monsanto Agreement at the end of the second quarter of fiscal year 2012. The Company recognized $2.7 million in license fees from the Monsanto Agreement during fiscal year 2012. The Monsanto license fees were partially offset by research and development revenues from Nitta.

Financials

Gross Profit (in thousands):

	Fiscal Year ended May 26, 2013	Fiscal Year ended May 27, 2012	Change
Food Products Technology	$ 37,077	$ 25,237	47%
Food Export	5,274	4,900	8%
Total Apio	42,351	30,137	41%
HA-based Biomaterials	19,102	17,994	6%
Corporate	1,307	4,007	(67%)
Total Gross Profit	$ 62,760	$ 52,138	20%

General

There are numerous factors that can influence gross profit including product mix, customer mix, manufacturing costs, volume, sale 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 26, 2013 compared to the same period last year as outlined in the table above.

Food Products Technology (Apio)

The increase in gross profit for the food products technology business for the fiscal year 2013 compared to the same period last year was primarily due to (1) the 54% increase in revenues and (2) the addition of higher margin GreenLine products. These increases were partially offset by the negative impact of produce sourcing issues which primarily occurred during the second half of fiscal year 2013.

Food Export (Apio)

Apio's export business is a buy/sell business that typically realizes a gross margin in the 5-8% range.

The increase in gross profit for Apio's food export business for fiscal year 2013 compared to the same period last year was primarily due to a 10% increase in revenues partially offset by higher procurement costs for certain export products.

HA-based Biomaterials (Lifecore)

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

The increase in gross profit for fiscal year 2013 compared to the same period last year was due to an increase in revenues of $7.0 million resulting from the increased sales of both historical products and new products to existing customers which were partially offset by the revenue increase from aseptically filled products which have a lower gross margin than Lifecore's other products.

Corporate

The decrease in Corporate gross profit for fiscal year 2013 compared to the same period last year was due to the termination of the Monsanto Agreement at the end of the second quarter of fiscal year 2012. The Company recognized $2.7 million in license fees from the Monsanto Agreement during fiscal year 2012. The Monsanto license fees were partially offset by research and development revenues from Nitta.

Financials

Operating Expenses (in thousands):

	Fiscal Year ended May 26, 2013	Fiscal Year ended May 27, 2012	*Change*
Research and Development:			
Apio	$ 1,088	$ 1,106	(2%)
Lifecore	4,930	4,671	6%
Corporate	3,276	3,848	(15%)
Total R&D	$ 9,294	$ 9,625	(3%)
Selling, General and Administrative:			
Apio	$ 21,976	$ 14,776	49%
Lifecore	4,595	4,521	2%
Corporate	5,960	7,218	(17%)
Total S,G&A	$ 32,531	$ 26,515	23%
Other operating expenses:			
Apio	$ (3,933)	$ 871	N/M
Corporate	—	550	N/M
Total Other Operating Expenses	$ (3,933)	$ 1,421	N/M

Research and Development

Landec's research and development consisted primarily of product development and commercialization initiatives. Research and development 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 research and development efforts are focused on new products and applications for HA-based biomaterials. For Corporate, the research and development efforts are focused on supporting the development and commercialization of new products and new technologies in our food and HA businesses along with developing uses for our proprietary Intelimer polymers outside of our food and HA businesses.

The decrease in research and development expenses for fiscal year 2013 compared to the same period last year was primarily due to the decrease in research and development expenses incurred by Corporate during fiscal year 2012 at the Company's former seed corn business which was sold in June 2012.

Selling, General and Administrative (S,G&A)

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

The increase in S,G&A expenses for fiscal year 2013 compared to the same period last year was primarily due to: (1) a $4.6 million increase in S,G&A expenses at Apio from GreenLine which was acquired on April 23, 2012 and (2) a $2.6 million increase in SG&A at Apio, excluding GreenLine, due to the amortization of the customer base intangible acquired in the acquisition of GreenLine and additional sales and marketing expenses associated with the increase in revenues. These increases were partially offset by a $1.3 million decrease in S,G&A at Corporate due primarily to no Corporate bonuses being earned in fiscal year 2013 compared to $1.0 million of Corporate bonuses earned in fiscal year 2012 and from S,G&A expenses at the Company's former seed corn business in fiscal year 2012 which was sold in June 2012.

Other Operating Expenses

Other operating expenses in fiscal year 2013 consisted of a $3.9 million reversal of the earn-out liability at Apio associated with the GreenLine acquisition. Other operating expenses in fiscal year 2012 consisted of expenses incurred as a result of the acquisition of GreenLine.

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

	Fiscal Year ended May 26, 2013	Fiscal Year ended May 27, 2012	*Change*
Dividend Income	$ 1,125	$ 1,125	—
Interest Income	$ 179	$ 180	(1)%
Interest Expense	$ (2,008)	$ (929)	116%
Other Income	$ 8,100	$ 5,331	52%
Income Taxes	$ (9,452)	$ (7,185)	32%
Non controlling Interest	$ (225)	$ (403)	(44)%

Dividend Income

Dividend income is derived from the dividends accrued on our $15 million preferred stock investment in Windset which yields a cash dividend of 7.5% annually. There was no change in dividend income in fiscal year 2013 compared to fiscal year 2012.

Interest Income

The decrease in interest income for the fiscal year ended May 26, 2013 compared to the same period last year was primarily due to lower cash balances reflecting our use of cash to buyback shares of the Company's common stock during fiscal year 2012 and to purchase GreenLine.

Interest Expense

The increase in interest expense during fiscal year 2013 compared to the same period last year was due to interest on the $32 million of debt incurred in the acquisition of GreenLine. This increase was partially offset by decreases in interest expense at Lifecore due to paying down its debt by $3.3 million during fiscal year 2013.

Other Income

The increase in other income for fiscal year 2013 compared to the same period last year is primarily due to the change in the fair market value of our Windset investment being $2.3 million higher in fiscal year 2013 compared to the change in fiscal year 2012.

Income Taxes

The increase in the income tax expense for fiscal year 2013 is due to a 59% increase in net income before taxes compared to the same period last year. The effective tax rate for fiscal year 2013 was 30% compared to 36% for the same period last year primarily because the $3.9 million reversal of the earn-out liability during fiscal year 2013 related to the GreenLine acquisition was not subject to income taxes and various to other tax deductions and credits in fiscal year 2013, such as the return of the R&D credit and the change in the Company's state apportionment factors due to the addition of GreenLine, which resulted in a lower effective tax rate for fiscal year 2013.

Non controlling Interest

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

The change in the non controlling interest for fiscal year 2013 compared to the same periods last year was due to a decrease in Apio Cooling revenues.

Fiscal Year Ended May 27, 2012 Compared to Fiscal Year Ended May 29, 2011

Revenues (in thousands):

	Fiscal Year ended May 27, 2012	Fiscal Year ended May 29, 2011	Change
Food Products Technology	207,582	175,664	18%
Food Export	71,485	61,663	16%
Total Apio	279,067	237,327	18%
HA-based Biomaterials	34,283	32,505	5%
Corporate	4,202	6,897	(39%)
Total Revenues	$ 317,552	$ 276,729	15%

Food Products Technology (Apio)

Apio's food products technology revenues consist of revenues generated from the sale of specialty packaged fresh-cut and whole value-added 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, value-added 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 increase in Apio's value-added revenues for the fiscal year ended May 27, 2012 compared to the same period last year was primarily due to the following factors: (1) an 11% increase in unit volume sales to existing customers resulting primarily from expanded product offerings, the additional of more distribution locations and growth in the fresh-cut vegetable category, (2) $9.1 million of revenues from GreenLine from the acquisition date of April 23, 2012 through the fiscal year ended May 27, 2012 and (3) a larger percentage of Apio's value-added revenues being generated from sales to club stores rather than retail grocery chains. These increases in revenue were partially offset by a product mix change in retail grocery chains to lower priced products from higher priced products.

Food Export (Apio)

Apio 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 increase in revenues in Apio's export business for the fiscal year ended May 27, 2012 compared to the same period last year was primarily due to an 11% increase in export unit volume sales due to a greater volume of fruit and vegetables being available to export and due to more favorable pricing for export products in fiscal year 2012 compared to fiscal year 2011.

HA-based 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 2012, (2) Orthopedic, which represented approximately 20% of Lifecore's revenues in fiscal year 2012 and (3) Veterinary/Other.

The increase in revenues for Lifecore was primarily due to an increase in sales to existing customers.

Corporate

Corporate revenues consisted of revenues generated from the licensing agreements with Monsanto, Air Products and Nitta.

The decrease in Corporate revenues for the fiscal year ended May 27, 2012 compared to the same period last year was primarily due to the termination of the Monsanto Agreement at the end of the second quarter of fiscal year 2012. The quarterly revenues and gross profit from Monsanto had been $1.35 million per quarter prior to the termination.

Gross Profit (in thousands):

	Fiscal Year ended May 27, 2012	Fiscal Year ended May 29, 2011	Change
Food Products Technology	25,237	18,888	34%
Food Export	4,900	3,901	26%
Total Apio	30,137	22,789	32%
HA-based Biomaterials	17,994	17,231	4%
Corporate	4,007	6,675	(40%)
Total Gross Profit	$ 52,138	$ 46,695	12%

General

There are numerous factors that can influence gross profit including product mix, customer mix, manufacturing costs, volume, sale 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, casein, seeds and packaging), 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 27, 2012 compared to the same period last year as outlined in the table above.

Food Products Technology (Apio)

The increase in gross profit for the food products technology business for the fiscal year ended May 27, 2012 compared to the same period last year was primarily due to the 19% increase in revenues and the decrease in costs of produce as compared to the costs associated with the weather related produce supply issues experienced during the November to February period of fiscal year 2011.

Food Export (Apio)

Apio's export business is a buy/sell business that realizes a commission-based margin in the 5-8% range.

The increase in gross profit for Apio's food export business during the fiscal year ended May 27, 2012 compared to the same period last year was primarily due to the 16% increase in revenues and higher average margins on export sales due to a more favorable product mix in fiscal year 2012 compared to fiscal year 2011.

HA-based Biomaterials (Lifecore)

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

The increase in Lifecore's gross profit during the fiscal year ended May 27, 2012 compared to the same period last year was primarily due to the 5% increase in revenues.

Corporate

The decrease in Corporate gross profit for the fiscal year ended May 27, 2012 compared to the same period of the prior year was primarily due to the termination of the Monsanto Agreement at the end of the second quarter of fiscal year 2012. The quarterly revenues and gross profit from Monsanto had been $1.35 million per quarter prior to the termination.

Operating Expenses (in thousands):

	Fiscal Year ended May 27, 2012	Fiscal Year ended May 29, 2011	*Change*
Research and Development:			
Apio	$ 1,106	$ 1,023	8%
Lifecore	4,671	4,272	9%
Corporate	3,848	3,980	(3%)
Total R&D	$ 9,625	$ 9,275	4%
Selling, General and Administrative:			
Apio	$ 14,776	$ 12,722	16%
Lifecore	4,521	4,838	(7%)
Corporate	7,218	7,048	2%
Total S,G&A	$ 26,515	$ 24,608	8%
Other operating expenses:			
Apio	$ 871	$ —	N/M
Corporate	550	4,780	(88%)
Total Other Operating Expenses	$ 1,421	$ 4,780	(70%)

Research and Development

Landec's research and development consisted primarily of product development and commercialization initiatives. Research and development 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 research and development efforts are focused on new products and applications for HA-based biomaterials. For Corporate, the research and development efforts are focused on supporting the development and commercialization of new products and new technologies in our food and HA businesses along with developing uses for our proprietary Intelimer polymers outside of our food and HA businesses.

The increase in research and development expenses for the fiscal year ended May 27, 2012 compared to the same period last year was primarily due to increased payroll expenses from increased research and development efforts associated with new product development in our HA business.

Selling, General and Administrative

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

The increase in selling, general and administrative expenses for the fiscal year ended May 27, 2012 compared to the same period last year was primarily due to increased sales and marketing expenses at Apio. Due to the increase in

revenues, the Company experienced higher brokerage fees and due to Apio and the Company exceeding their revenue and operating income plan for fiscal year 2012, bonus expenses were higher than the same period of last year.

Other Operating Expenses

Other operating expenses in fiscal year 2012 consisted of expenses incurred as a result of the acquisition of GreenLine. Other operating expenses in fiscal year 2011 consisted of an impairment charge from the write off of Landec Ag's goodwill.

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

	Fiscal Year ended May 27, 2012	Fiscal Year ended May 29, 2011	*Change*
Dividend Income	$ 1,125	$ 328	243%
Interest Income	$ 180	$ 430	(58)%
Interest Expense	$ (929)	$ (820)	13%
Other Income	$ 5,331	$ 472	1029%
Income Taxes	$ (7,185)	$ (4,181)	72%
Non controlling Interest	$ (403)	$ (341)	18%

Dividend Income

The increase in dividend income was due to the receipt of a full year of dividends during fiscal year 2012 from the $15 million preferred stock investment in Windset. The preferred stock yields a cash dividend of 7.5% annually. The $328,000 for fiscal year 2011 represents dividends for the period February 15, 2011 through May 29, 2011.

Interest Income

The decrease in interest income for the fiscal year ended May 27, 2012 compared to the same period last year was primarily due to lower cash balances reflecting our use of cash to purchase GreenLine, to purchase our minority investment in Windset and to purchase the Company's common stock on the open market. Interest income was further negatively impacted by lower yields on investments due to declines in interest rates.

Interest Expense

The increase in interest expense during the fiscal year ended May 27, 2012 compared to the same period last year was due to interest on the debt incurred in the acquisition of GreenLine and expensing of $120,000 in loan origination fees as a result of paying off the Wells Fargo credit facility. These increases were partially offset by decreases in interest expenses at Lifecore due to paying down its debt by $4.3 million during fiscal year 2012.

Other Income

Other income consists primarily of a $5.8 million increase in the fair market value of our Windset investment, partially offset by a $160,000 expense related to the amortization of the discount on Lifecore's earn out obligation and $347,000 in expense associated with the interest rate swap with Wells Fargo.

Income Taxes

The increase in the income tax expense in fiscal year 2012 compared to fiscal year 2011 is due to a 240% increase in income before taxes partially offset by a decrease in the Company's effective tax rate to 36% in fiscal year 2012 down from 52% in fiscal year 2011. The effective tax rates for fiscal year 2012 differ from the statutory federal income tax rate of 35 percent as a result of several factors, including state taxes, non-deductible stock-based compensation expense, tax exempt interest and non-deductible acquisition related expenses.

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 the non controlling interest for the fiscal year ended May 27, 2012 compared to the same period last year was not significant.

Liquidity and Capital Resources

As of May 26, 2013, the Company had cash and cash equivalents of $13.7 million, a net decrease of $8.5 million from $22.2 million at May 27, 2012.

Cash Flow from Operating Activities

Landec generated $21.2 million of cash from operating activities during fiscal year 2013 compared to generating $22.2 million from operating activities during fiscal year 2012. The primary sources of cash from operating activities during fiscal year 2013 were from (1) $22.8 million of net income, (2) $9.0 million of depreciation/amortization and stock based compensation expenses and (3) a $6.5 million net increase in deferred tax liabilities. The primary uses of cash from operating activities were from (1) the $8.1 million non-cash increase in the Company's investment in Windset, (2) a reversal of the $3.9 million earn-out liability from the GreenLine acquisition which increased net income by the same amount but was a non-cash item and (3) a net increase of $1.1 million in working capital, excluding the portion of the increase in income taxes receivable which is attributable to the tax benefit from stock-based compensation.

The primary factors which increased working capital during fiscal year 2013 were (1) a $4.5 million increase in receivables primarily due to the timing of cash receipts at Apio and a $1.6 million increase in May revenues in fiscal year 2013 compared to May revenues last year, (2) a $2.5 million decrease in accrued liabilities primarily from costs accrued at the end of fiscal year 2012 which were paid in fiscal year 2013 associated with the GreenLine acquisition, (3) a $798,000 decrease in accrued compensation primarily due to a decrease in bonuses earned in fiscal year 2013 compared to fiscal year 2012 and (4) a $2.1 million increase in inventories at Apio and Lifecore to support anticipated sales growth in early fiscal year 2014. Working capital decreased during fiscal year 2013 because of a $8.8 million increase in accounts payable due to the timing of payments primarily at Apio and from the $1.1 million increase in deferred revenues from the sale of Landec Ag to INCOTEC in June 2012 and from product manufactured at Lifecore and billed but not yet shipped.

Cash Flow from Investing Activities

Net cash used in investing activities for fiscal year 2013 was $10.4 million compared to $44.1 million for the same period last year. The use of cash in investing activities in fiscal year 2012 was primarily due to the acquisition of GreenLine in April 2012. The primary uses of cash in investing activities during fiscal year 2013 were for the purchase of $8.9 million of equipment primarily to support the growth of the Apio value-added and Lifecore businesses and from the net purchase of $1.5 million of marketable securities.

Cash Flow from Financing Activities

Net cash used in financing activities for fiscal year 2013 was $19.3 million compared to net cash provided by financing activities of $35.9 million for the same period last year. The net cash used in financing activities during fiscal year 2013 was primarily due to the $10 million earn out payment from the Lifecore acquisition, $9.7 million of which was recorded as a contingent liability at the time of the acquisition and is therefore classified as a financing activity, and $14.7 million of payments on the Company's lines of credit and long-term debt. These uses of cash in financing activities were partially offset by a $1.3 million tax benefit from stock-based compensation and from $3.4 million of cash received from the exercise of stock options by Company employees.

Capital Expenditures

During the fiscal year ended May 26, 2013, Landec continued its expansion of Apio's value-added processing facility and purchased vegetable processing equipment as well as facility modifications and equipment purchased at Lifecore to support business growth. These expenditures represented the majority of the $8.9 million of capital expenditures.

Debt

On August 19, 2004, Lifecore issued variable rate industrial revenue bonds ("IRBs"). These IRBs were assumed by Landec in the acquisition of Lifecore (see Note 9 to the Consolidated Financial Statements). The IRBs are collateralized

by a bank letter of credit which is secured by a first mortgage on Lifecore's facility in Chaska, Minnesota. In addition, Lifecore pays an annual remarketing fee equal to 0.125% and an annual letter of credit fee of 0.75%.

On April 23, 2012 in connection with the acquisition of GreenLine, Apio entered into three loan agreements with General Electric Capital Corporation and/or its affiliates ("GE Capital"), (collectively the "GE Debt Agreements"):

1) A five-year, $25.0 million asset-based working capital revolving line of credit, with an interest rate of LIBOR plus 2%, with availability based on the combination of the eligible accounts receivable and inventory balances of Apio and its subsidiaries (availability was $14.6 million at May 26, 2013). Apio's revolving line of credit has an unused fee of 0.375% per annum. At May 26, 2013 and May 27, 2012, Apio had $4.0 million and $11.7 million, respectively, outstanding under its revolving line of credit.

2) A $12.7 million capital equipment loan which matures in seven years payable in monthly principal and interest payments of $175,356 with interest based on a fixed rate of 4.39% per annum.

3) A $19.2 million real estate loan, $1.2 million of which was paid in April 2013, and the remainder maturing in ten years. The real estate loan has a fifteen year amortization period due in monthly principal and interest payments of $141,962 with interest based on a fixed rate of 4.02% per annum. The principal balance remaining at the end of the ten year term is due in one lump sum on April 23, 2022.

Apio's obligations under the GE Debt Agreements are secured by liens on all of the property of Apio and its subsidiaries. The GE Debt Agreements contain customary events of default under which obligations could be accelerated or increased. The GE Capital real estate and equipment loans are guaranteed by Landec, and Landec has pledged its equity interest in Apio as collateral under the line of credit agreement. The GE Debt Agreements contain customary covenants, such as limitations on the ability to (1) incur indebtedness or grant liens or negative pledges on Apio's assets; (2) make loans or other investments; (3) pay dividends, sell stock or repurchase stock or other securities; (4) sell assets; (5) engage in mergers; (6) enter into sale and leaseback transactions; and (7) make changes in Apio's corporate structure. In addition, Apio must maintain a minimum fixed charge coverage ratio of 1.10 to 1.0 if the availability under its line of credit falls below $7.5 million. Apio was in compliance with all financial covenants as of May 26, 2013 and May 27, 2012. Unamortized loan origination fees for the GE Debt Agreements were $1.0 million and $1.3 million at May 26, 2013 and May 27, 2012, respectively, and are included in other assets in the Consolidated Balance Sheets.

On May 23, 2012, Lifecore entered into two financing agreements with BMO Harris Bank N.A. and/or its affiliates ("BMO Harris"), collectively (the "Lifecore Loan Agreements"):

(1) A Credit and Security Agreement (the "Credit Agreement") which includes (a) a one-year, $8.0 million asset-based working capital revolving line of credit, with an interest rate of LIBOR plus 1.85%, with availability based on the combination of Lifecore's eligible accounts receivable and inventory balances (availability was $7.0 million at May 26, 2013) and with no unused fee (as of May 26, 2013 and May 27, 2012, no amounts were outstanding under the line of credit) and (b) a $12.0 million term loan which matures in four years due in monthly payments of $250,000 with interest payable monthly based on a variable interest rate of LIBOR plus 2% (the "Term Loan").

(2) A Reimbursement Agreement pursuant to which BMO Harris caused its affiliate Bank of Montreal to issue an irrevocable letter of credit in the amount of $3.5 million (the "Letter of Credit") which is securing the IRBs described above.

The obligations of Lifecore under the Lifecore Loan Agreements are secured by liens on all of the property of Lifecore. The Lifecore Loan Agreements contain customary covenants, such as limitations on the ability to (1) incur indebtedness or grant liens or negative pledges on Lifecore's assets; (2) make loans or other investments; (3) pay dividends or repurchase stock or other securities; (4) sell assets; (5) engage in mergers; (6) enter into sale and leaseback transactions; (7) adopt certain benefit plans; and (8) make changes in Lifecore's corporate structure. In addition, under the Credit Agreement, Lifecore must maintain (a) a minimum fixed charge coverage ratio of 1.10 to 1.0 and a minimum quick ratio of 1.25 to 1.00, both of which must be satisfied as of the end of each fiscal quarter commencing with the fiscal quarter ending August 26, 2012 and (b) a minimum tangible net worth of $29,000,000, measured as of May 28, 2013, and as of the end of each fiscal year thereafter. Unamortized loan origination fees for the Lifecore Loan Agreements were $149,000 and $139,000 at May 26, 2013 and May 27, 2012, respectively, and are included in other assets in the Consolidated Balance Sheets. Lifecore was in compliance with all financial covenants as of May 26, 2013.

The market value of the Company's debt approximates its recorded value as the interest rates on each debt instrument approximates current market rates.

The Term Loan was used to repay Lifecore's former credit facility with Wells Fargo Bank, N.A. ("Wells Fargo"). The Letter of Credit (which replaces a letter of credit previously provided by Wells Fargo) provides liquidity and credit support for the IRBs.

In May 2010, the Company entered into a five-year interest rate swap agreement under the credit agreement with Wells Fargo, which expires on April 30, 2015. The interest rate swap was designated as a cash flow hedge of future interest payments of LIBOR and had a notional amount of $20 million. As a result of the interest rate swap transaction, the Company fixed for a five-year period the interest rate at 4.24% subject to market based interest rate risk on $20 million of borrowings under the credit agreement with Wells Fargo. The Company's obligations under the interest rate swap transaction as to the scheduled payments were guaranteed and secured on the same basis as its obligations under the credit agreement with Wells Fargo at the time the agreement was consummated. Upon entering into the new Term Loan with BMO Harris, the Company used the proceeds from that loan to pay off the Wells Fargo credit facility. The swap with Wells Fargo was not terminated upon the extinguishment of the debt with Wells Fargo. As a result of extinguishing the debt with Wells Fargo as of May 23, 2012, the swap was no longer an effective hedge and therefore, the fair value of the swap at the time the debt was extinguished of $347,000 was reversed from other comprehensive income and recorded in other expense during fiscal year 2012. The fair value of the swap arrangement as of May 26, 2013 and May 27, 2012 was $163,000 and $347,000, respectively, and is included in other accrued liabilities in the accompanying Consolidated Balance Sheets.

Contractual Obligations

The Company's material contractual obligations for the next five years and thereafter as of May 26, 2013, are as follows (in thousands):

	Due in Fiscal Year Ended May						
Obligation	Total	2014	2015	2016	2017	2018	Thereafter
Income taxes	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Debt principal payments	44,305	9,933	6,055	6,181	3,319	3,456	15,361
Interest payments	6,654	1,428	1,154	965	800	666	1,641
Operating leases	7,329	2,139	1,730	1,421	1,135	554	350
Purchase commitments	1,982	1,982	—	—	—	—	—
Total	$ 60,270	$ 15,482	$ 8,939	$ 8,567	$ 5,254	$ 4,676	$ 17,352

The income tax amounts above exclude liabilities associated with the accounting for uncertainty in income taxes as we are unable to reasonably estimate the ultimate amount or timing of settlement. See Note 11 in the Notes to Consolidated Financial Statements for further discussion.

The interest payment amounts above include: (1) the 4.39% fixed interest rate payments on the GE Capital equipment loan, (2) the 4.02% fixed interest rate payments on the GE real estate loan, (3) the estimated interest rate payment on the variable rate line of credit with GE Capital based on the current 30-day LIBOR plus 2% or 2.25% for fiscal year 2014 as the Company plans to pay off the line of credit at the beginning of fiscal year 2015, (4) the estimated interest rate payment on the variable Term Loan with BMO Harris based on the four year historical average 30-day LIBOR plus 2% or 2.24% and (5) the estimated interest rate payment on the variable rate IRB based on the five year historical interest rate average for the Municipal Swap Index plus 20 basis points plus the letter of credit and remarketing fees of 0.875% resulting in an estimated rate of 1.52%.

Landec 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.

Landec'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 Landec to establish and maintain new collaborative and licensing arrangements; 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 Landec's currently available funds, together with the internally generated cash flow

from operations are not sufficient to satisfy its capital needs, Landec 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 Landec on favorable terms, if at all.

Landec believes that its cash from operations, along with existing cash, cash equivalents and marketable securities 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

In January 2013, the Audit Committee of our Board of Directors completed its independent investigation into certain accounting and financial control matters following our January 2, 2013 announcement that we would restate our financial statements for the three month period ended August 26, 2012. As a result of management's review we identified a material weakness in our internal control over financial reporting which required corrective and remedial action, including strengthening the rigor of our review controls regarding the periodic fair market value adjustments to our investment in a non-public company. As of May 26, 2013, we have completed all remedial actions required to strengthen our internal controls in this area and have remediated this material weakness in the effectiveness of controls.

As of May 26, 2013, 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 26, 2013. 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. Our management has concluded that, as of May 26, 2013, 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.

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 error 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

Except as disclosed in the Evaluation of Disclosure Controls and Procedures section above, there were no changes in our internal controls over financial reporting during the fiscal year ended May 26, 2013 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REPORT OF ERNST & YOUNG LLP, 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 26, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (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 26, 2013, based on the COSO criteria.

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 26, 2013 and May 27, 2012, and the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended May 26, 2013 and our report dated August 6, 2013 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Francisco, California
August 6, 2013

Item 9B. ***Other Information***

None

PART III

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

This information required by this item will be contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than September 23, 2013 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

Item 11. ***Executive Compensation***

This information required by this item will be contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than September 23, 2013 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

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

This information required by this item will be contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than September 23, 2013 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

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

This information required by this item will be contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than September 23, 2013 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

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

This information required by this item will be contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than September 23, 2013 (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

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Report of Ernst & Young LLP, Independent Registered Public Accounting Firm 46

Consolidated Balance Sheets at May 26, 2013 and May 27, 2012 47

Consolidated Statements of Comprehensive Income for the Years Ended May 26, 2013, May 27, 2012 and May 29, 2011 48

Consolidated Statements of Changes in Stockholders' Equity for the Years Ended May 26, 2013, May 27, 2012 and May 29, 2011 49

Consolidated Statements of Cash Flows for the Years Ended May 26, 2013, May 27, 2012 and May 29, 2011 50

Notes to Consolidated Financial Statements 51

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

3. Index of Exhibits 81

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

REPORT OF ERNST & YOUNG LLP, 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 26, 2013 and May 27, 2012, and the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended May 26, 2013. 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 26, 2013 and May 27, 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended May 26, 2013, 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's internal control over financial reporting as of May 26, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 6, 2013 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Francisco, California
August 6, 2013

LANDEC CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	May 26, 2013	May 27, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,718	$ 22,177
Marketable securities	1,545	—
Accounts receivable, less allowance for doubtful accounts of $583 and $512 at May 26, 2013 and May 27, 2012, respectively	36,072	31,951
Accounts receivable, related party	671	323
Income taxes receivable	5,103	47
Inventories, net	24,113	22,011
Deferred taxes	1,582	2,076
Prepaid expenses and other current assets	2,856	2,578
Total current assets	85,660	81,163
Investment in non-public company, non-fair value	793	793
Investment in non-public company, fair value	29,600	21,500
Property and equipment, net	65,811	63,495
Goodwill, net	49,620	49,620
Trademarks/ trade names, net	48,428	48,428
Customer relationships, net	9,606	10,557
Other assets	1,424	2,136
Total Assets	$ 290,942	$ 277,692
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 31,470	$ 22,644
Related party payables	786	776
Accrued compensation	4,984	5,782
Other accrued liabilities	2,332	18,642
Deferred revenue	1,248	162
Lines of credit	4,000	11,666
Current portion of long-term debt	5,933	7,012
Total current liabilities	50,753	66,684
Long-term debt	34,372	40,305
Deferred taxes	24,054	18,037
Other non-current liabilities	1,349	1,108
Total liabilities	110,528	126,134
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common stock, $0.001 par value; 50,000,000 shares authorized; 26,402,247 and 25,644,580 shares issued and outstanding at May 26, 2013 and May 27, 2012, respectively	26	26
Additional paid-in capital	126,258	119,894
Retained earnings	52,409	29,822
Total stockholders' equity	178,693	149,742
Non-controlling interest	1,721	1,816
Total Equity	180,414	151,558
Total Liabilities and Stockholders' Equity	$ 290,942	$ 277,692

See accompanying notes.

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

	Year Ended May 26, 2013	Year Ended May 27, 2012	Year Ended May 29, 2011
Revenues:			
Product sales	$ 439,574	$ 314,414	$ 273,338
Services revenue, related party	2,134	3,138	3,391
Total revenues	441,708	317,552	276,729
Cost of revenue:			
Cost of product sales	377,078	262,859	227,167
Cost of services revenue	1,870	2,555	2,867
Total cost of revenue	378,948	265,414	230,034
Gross profit	62,760	52,138	46,695
Operating costs and expenses:			
Research and development	9,294	9,625	9,275
Selling, general and administrative	32,531	26,515	24,608
Other operating expenses	(3,933)	1,421	4,780
Total operating costs and expenses	37,892	37,561	38,663
Operating income	24,868	14,577	8,032
Dividend income	1,125	1,125	328
Interest income	179	180	430
Interest expense	(2,008)	(929)	(820)
Other income	8,100	5,331	472
Net income before taxes	32,264	20,284	8,442
Income tax expense	(9,452)	(7,185)	(4,181)
Consolidated net income	22,812	13,099	4,261
Non-controlling interest	(225)	(403)	(341)
Net income and comprehensive income applicable to common stockholders	$ 22,587	$ 12,696	$ 3,920
Basic net income per share	$ 0.87	$ 0.49	$ 0.15
Diluted net income per share	$ 0.85	$ 0.49	$ 0.15
Shares used in per share computation:			
Basic	25,830	25,849	26,397
Diluted	26,626	26,126	26,626

See accompanying notes.

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

	Common Stock		Additional Paid-in	Retained	Other Comprehensive	Total Stockholders'	Non-controlling
	Shares	Amount	Capital	Earnings	Loss	Equity	interest
Balance at May 30, 2010	26,490,259	$ 27	$ 117,730	$ 13,206	$ (179)	$ 130,784	$ 1,691
Issuance of common stock at $3.38 to $3.80 per share, net of taxes paid by Landec on behalf of employees	91,091	—	126	—	—	126	—
Issuance of common stock for vested restricted stock units	40,133	—	—	—	—	—	—
Common stock repurchased on the open market	(215,684)	—	(1,184)	—	—	(1,184)	—
Taxes paid by Company for stock swaps and RSUs	—	—	(218)	—	—	(218)	—
Stock-based compensation	—	—	1,951	—	—	1,951	—
Tax benefit from stock-based compensation expense	—	—	764	—	—	764	—
Non-controlling interest	—	—	—	—	—	—	341
Payments to non-controlling interest	—	—	—	—	—	—	(361)
Net income and comprehensive loss	—	—	—	3,920	(88)	3,832	—
Balance at May 29, 2011	26,405,799	27	119,169	17,126	(267)	136,055	1,671
Issuance of common stock at $2.55 to $6.95 per share, net of taxes paid by Landec on behalf of employees	72,572	—	61	—	—	61	—
Issuance of common stock for vested restricted stock units	83,453	—	—	—	—	—	—
Common stock repurchased on the open market	(917,244)	(1)	(5,005)	—	—	(5,006)	—
Taxes paid by Company for stock swaps and RSUs	—	—	(260)	—	—	(260)	—
Stock-based compensation	—	—	1,872	—	—	1,872	—
Tax benefit from stock-based compensation expense	—	—	4,057	—	—	4,057	—
Non-controlling interest	—	—	—	—	—	—	403
Payments to non-controlling interest	—	—	—	—	—	—	(258)
Net and comprehensive income	—	—	—	12,696	267	12,963	—
Balance at May 27, 2012	25,644,580	26	119,894	29,822	—	149,742	1,816
Issuance of common stock at $1.66 to $13.32 per share, net of taxes paid by Landec on behalf of employees	597,537	—	3,416	—	—	3,416	—
Issuance of common stock for vested restricted stock units	160,130	—	—	—	—	—	—
Taxes paid by Company for stock swaps and RSUs	—	—	(49)	—	—	(49)	—
Stock-based compensation	—	—	1,695	—	—	1,695	—
Tax benefit from stock-based compensation expense	—	—	1,302	—	—	1,302	—
Non-controlling interest	—	—	—	—	—	—	225
Payments to non-controlling interest	—	—	—	—	—	—	(320)
Net and comprehensive income	—	—	—	22,587	—	22,587	—
Balance at May 26, 2013	26,402,247	$ 26	$ 126,258	$ 52,409	$ —	$ 178,693	$ 1,721

See accompanying notes

Financials

LANDEC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended May 26, 2013	Year Ended May 27, 2012	Year Ended May 29, 2011
Cash flows from operating activities:			
Consolidated net income	$ 22,812	$ 13,099	$ 4,261
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,295	5,621	5,313
Stock-based compensation expense	1,695	1,872	1,951
Deferred taxes	6,511	3,283	3,257
Change in investment in non-public company (fair market value)	(8,100)	(5,838)	(662)
Increase in long-term receivable	—	—	(800)
Tax benefit from stock based compensation	(1,302)	(4,057)	(764)
Net loss on disposal of property and equipment	217	12	26
Earn out liability	(3,933)	—	—
Impairment charges	—	—	4,780
Changes in assets and liabilities, net of effects from acquisitions:			
Accounts receivable, net	(4,121)	(3,246)	(3,016)
Accounts receivable, related party	(348)	130	276
Income taxes receivable	(3,754)	4,581	878
Inventories, net	(2,102)	(441)	(4,054)
Issuance of notes and advances receivable	(4,173)	(3,699)	(3,073)
Collection of notes and advances receivable	4,173	3,704	3,314
Prepaid expenses and other current assets	(278)	3,588	602
Accounts payable	8,826	(544)	2,393
Related party accounts payable	10	476	(49)
Accrued compensation	(798)	2,701	1,038
Other accrued liabilities	(2,486)	3,434	532
Deferred revenue	1,086	(2,495)	(1,734)
Net cash provided by operating activities	21,230	22,181	14,469
Cash flows from investing activities:			
Purchases of property and equipment	(8,877)	(5,371)	(6,684)
Acquisition of GreenLine (Note 2)	—	(66,826)	—
Purchase of marketable securities	(4,959)	(30,723)	(59,833)
Proceeds from maturities of marketable securities	3,414	31,104	24,843
Proceeds from sales of marketable securities	—	27,743	27,287
Investment in non-public company (fair market value)	—	—	(15,000)
Net cash used in investing activities	(10,422)	(44,073)	(29,387)
Cash flows from financing activities:			
Repurchase of outstanding common stock	—	(5,006)	(1,184)
Proceeds from sale of common stock	3,416	61	126
Taxes paid by Company for stock swaps and RSUs	(49)	(260)	(218)
Tax benefit from stock-based compensation expense	1,302	4,057	764
Earn out payment from Lifecore acquisition	(9,650)	—	—
Net change in other assets/liabilities	712	(1,813)	49
Proceeds from long term debt	—	31,816	—
Proceeds from lines of credit	—	12,766	—
Payments on long term debt	(7,012)	(4,329)	(3,940)
Payments on lines of credit	(7,666)	(1,100)	—
Payments to non-controlling interest	(320)	(258)	(361)
Net cash provided by (used in) financing activities	(19,267)	35,934	(4,764)
Net increase (decrease) in cash and cash equivalents	(8,459)	14,042	(19,682)
Cash and cash equivalents at beginning of year	22,177	8,135	27,817
Cash and cash equivalents at end of year	$ 13,718	$ 22,177	$ 8,135
Supplemental disclosure of cash flows information:			
Cash paid during the period for interest	$ 1,728	$ 952	$ 761
Cash paid during the period for income taxes	$ 5,605	$ 246	$ 146
Supplemental schedule of noncash operating and financing activities:			
Long-term receivable from Monsanto	$ —	$ —	$ 800
Impairment charges	$ —	$ —	$ 4,780

See accompanying notes.

LANDEC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Organization

Landec Corporation and its subsidiaries ("Landec" or the "Company") design, develop, manufacture and sell differentiated products for food and biomaterials markets and license technology applications to partners. The Company has two proprietary polymer technology platforms: 1) Intelimer® polymers, and 2) hyaluronan ("HA") biopolymers. The Company's HA biopolymers 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 Landec 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 and sells HA-based biomaterials through its Lifecore Biomedical, Inc. ("Lifecore") subsidiary.

Basis of Presentation

Basis of Consolidation

The consolidated financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles 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 non-public companies by the Company are not VIEs.

Reclassifications

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

Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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; sales returns and allowances; recognition and measurement of current and deferred income tax assets and liabilities; the assessment of recoverability of long-lived assets; the valuation of intangible assets and inventory; the valuation of investments; and the valuation and recognition of stock-based compensation.

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

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 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.

The operations of Windset, in which the Company holds a 20.1% minority investment, are predominantly located in British Columbia and Santa Maria, California. Routinely, the Company evaluates the financial strength and ability for Windset to continue as a going concern.

During the fiscal year ended May 26, 2013, sales to the Company's top five customers accounted for approximately 40% of total revenue with the top two customers from the Food Products Technology segment accounting for approximately 16% and 13%, 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 26, 2013, the top two customers from the Food Products Technology segment both represented approximately 15% of total accounts receivable.

During the fiscal year ended May 27, 2012, sales to the Company's top five customers accounted for approximately 45% of total revenue with the top two customers from the Food Products Technology segment accounting for approximately 17% and 11%, respectively, of total revenues. In addition, approximately 36% of the Company's total revenues were derived from product sales to international customers, one of whom individually accounted for more than 5% of total revenues. As of May 27, 2012, the top two customers from the Food Products Technology segment both represented approximately 11% 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 marketable securities, commercial-term trade payables, grower advances, notes receivable and debt 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. Fair values for long-term financial instruments not readily marketable are estimated based upon discounted future cash flows at prevailing market interest rates. Based on these assumptions, management believes the fair market values of the Company's financial instruments are not significantly different from their recorded amounts as of May 26, 2013 and May 27, 2012.

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

Accounts Receivable and Allowance for Doubtful Accounts

The Company carries its accounts receivable at their face amounts less an allowance for doubtful accounts. 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 doubtful accounts are summarized in the following table (in thousands).

	Balance at beginning of period	Additions from acquisitions and additions from charges to costs and expenses	Write offs net of recoveries	Balance at end of period
Year ended May 29, 2011	$ 189	$ 209	$ (56)	$ 342
Year ended May 27, 2012	$ 342	$ 248	$ (78)	$ 512
Year ended May 26, 2013	$ 512	$ 109	$ (38)	$ 583

Revenue Recognition

Revenue from product sales is recognized when there is persuasive evidence that an arrangement exists, title has transferred, the price is fixed or determinable, and collectability is reasonably assured. Allowances are established for estimated uncollectible amounts, product returns, and discounts based on specific identification and historical losses.

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. Revenue recognition for product sales generally occurs when the customer receives the product or at the time title passes to the customer. Customers generally do not have the right to return product unless damaged or defective. Net sales is comprised of gross sales reduced by customer returns and consumer promotion allowances.

Licensing revenue is recognized in accordance with accounting guidance. 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.

Contract revenue for research and development (R&D) 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 payments are received or when collection is assured.

When a sales arrangement contains multiple elements, the Company 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 estimated selling prices to allocate revenue between the elements of the 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 they represent separate units 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 the 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.

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 sourcing locations 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 certificate of deposits (CDs), money market funds and U.S. Treasuries. The market value of cash equivalents approximates their historical cost given their short-term nature.

Marketable Securities

Short-term marketable securities consist of CDs that are FDIC insured and single A or better rated corporate and municipal bonds with original maturities of more than three months at the date of purchase regardless of the maturity date. The Company classifies all debt securities with readily determinable market values as "available for sale" as the Company views the funds within its portfolio as available for use in its current operations. The aggregate amount of CDs included in marketable securities as of May 26, 2013 and May 27, 2012 was $701,000 and zero, respectively. The contractual maturities of the Company's marketable securities that are due in less than one year represent $1.3 million and zero of its marketable securities and those due in one to two years represent the remaining $251,000 and zero of the Company's marketable securities as of May 26, 2013 and May 27, 2012, respectively. Investments in marketable securities are carried at fair market value with unrealized gains and losses reported as other income. The cost of debt securities is adjusted for amortization of premiums and discounts to maturity. This amortization is recorded to interest income. Realized gains and losses on the sale of available for sale securities are also recorded to interest income and were not significant for the fiscal years ended May 26, 2013 and May 27, 2012. During fiscal years 2013 and 2012, the Company received proceeds of zero and $27.7 million, respectively, from the sale of marketable securities. The cost of securities sold is based on the specific identification method.

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

Inventories

Inventories are stated at the lower of cost (using the first-in, first-out method) or market. As of May 26, 2013 and May 27, 2012 inventories consisted of (in thousands):

	May 26, 2013	May 27, 2012
Finished goods	$ 11,297	$ 9,406
Raw materials	9,290	9,876
Work in progress	3,526	2,729
Inventories, net	$ 24,113	$ 22,011

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 provides a provision for slow moving and obsolete inventories.

Advertising Expense

Advertising expenditures for the Company are expensed as incurred. Advertising expense for the Company for fiscal years 2013, 2012 and 2011 was $445,000, $406,000 and $458,000, 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 receivable and advances 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. There were no notes or advances outstanding at May 26, 2013.

Related Party Transactions

The Company provides cooling and distribution services to both a farm and Beachside Produce LLC ("Beachside"), a commodity produce distributor, in which the Chairman of Apio has a farming and ownership interest, respectively. During fiscal years 2013, 2012 and 2011, the Company recognized revenues of $2.5 million, $3.8 million, and $4.1 million, respectively, which have been included in product sales and in service revenues in the accompanying Consolidated Statements of Comprehensive Income, from the sale of products and providing cooling services to these parties. The related receivable balances of $671,000 and $323,000 are included in accounts receivable in the accompanying Consolidated Balance Sheets as of May 26, 2013 and May 27, 2012, respectively.

Additionally, unrelated to the revenue transactions above, the Company purchases produce from Beachside, a farm in which the Chairman of Apio has an ownership interest, and Windset Holding 2010 Ltd., a Canadian corporation (“Windset”) for sale to third parties. During fiscal years 2013, 2012 and 2011, the Company recognized cost of product sales of $6.7 million, $5.6 million and $3.6 million, respectively, in the accompanying Consolidated Statements of Comprehensive Income, from the sale of products purchased from these parties. The related accounts payable of $786,000 and $776,000 are included in related party accounts payable in the accompanying Consolidated Balance Sheets as of May 26, 2013 and May 27, 2012, 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 thirty years for buildings and leasehold improvements and three to seven years for furniture and fixtures, computers, capitalized software, capitalized leases, machinery, equipment and autos. 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 using the straight-line basis over estimated useful lives of three to seven years. During fiscal years 2013 and 2012, the Company did not capitalize any software development costs.

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 twelve 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 GreenLine Holding Company ("GreenLine") by Apio in April 2012, (ii) upon the acquisition of Lifecore in April 2010 and (iii) 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 HA-based Biomaterials reporting unit and the acquisitions of Apio and GreenLine were allocated to our Food Products Technology 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 26, 2013, the HA-based Biomaterials reporting unit had $13.9 million of goodwill and the Food Products Technology reporting unit had $35.7 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 non-goodwill indefinite-lived intangible assets, the Company performs a qualitative analysis in accordance with ASC 350-30-35. For goodwill, the Company performs a quantitative analysis in accordance with ASC 350-20-35.

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, and the determination of the fair value of each indefinite-lived intangible asset and reporting unit based upon projections of future net cash flows, discount rates and market multiples, which judgments and projections are inherently uncertain.

The Company tested its indefinite-lived intangible assets for impairment as of July 21, 2013 and determined that no adjustments to the carrying values of these assets were necessary as of that date. 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.

The Company uses the discounted cash flow ("DCF") approach to develop an estimate of fair value for goodwill. The DCF approach recognizes that current value is premised on the expected receipt of future economic benefits. Indications of value are developed by discounting projected future net cash flows to their present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment. The market approach is not used to value the Company's reporting units (the "reporting units") because insufficient market comparables exist to enable the Company to develop a reasonable fair value of its intangible assets due to the unique nature of each of the Company's reporting units.

The DCF approach requires the Company to exercise judgment in determining future business and financial forecasts and the related estimates of future net cash flows. Future net cash flows depend primarily on future product sales, which are inherently difficult to predict. These net cash flows are discounted at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment.

The DCF associated with the annual goodwill impairment analysis for the Food Products Technology reporting unit is based on management's five-year projection of revenues, gross profits and operating profits by fiscal year and assumes a 37% effective tax rate for each year. Management takes into account the historical trends of the Food Products Technology reporting unit and the industry categories in which it operates along with inflationary factors, current economic conditions, new product introductions, cost of sales, operating expenses, capital requirements and other relevant data when developing its projection. The estimated fair value of the Food Products Technology reporting unit as of July 21, 2013 was 111% of its book value at that date, therefore, no goodwill impairment was deemed to exist. For the test performed as of July 22, 2012, the projected cash flow from operations for determining the DCF for fiscal year 2013 was $10.2 million for the Food Products Technology reporting unit. The actual cash flow from operations for fiscal year 2013 was $13.6 million. The difference of $3.4 million was primarily due to the timing of working capital changes.

The DCF associated with the annual goodwill impairment analysis for the HA-based Biomaterials reporting unit is based on management's five-year projections of revenues, gross profits and operating profits by fiscal year and assumes a 37% effective tax rate for each year. Management takes into account the historical trends of HA-based Biomaterials reporting unit and the industry categories in which it operates along with inflationary factors, current economic conditions, new product introductions, cost of sales, operating expenses, capital requirements and other relevant data when developing its projection. The trade name intangible asset was valued using the relief from royalty valuation method and the customer relationship intangible asset was valued using the multi-period excess earnings method. The fair value of goodwill was calculated as the excess of consideration paid, including the fair value of contingent consideration under the terms of the purchase agreement, over the fair value of the tangible and intangible assets acquired less liabilities assumed. The Company updated its analysis of the fair value of the indefinite-lived intangible assets as of its annual impairment analysis date, concluding that the fair value of the HA-based Biomaterials reporting unit, as determined by the DCF approach, was 117% of its book value at that date, therefore, no goodwill impairment was deemed to exist. For the test performed as of July 22, 2012, the projected cash flow from operations for determining the DCF for fiscal year 2013 was a $8.4 million for the HA-based Biomaterials reporting unit. The actual cash flow from operations for fiscal year 2013 was $13.2 million. The difference of $4.8 million is primarily due to timing of working capital changes.

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

Investment in Non-Public Company

The Company's investment in Aesthetic Science is carried at cost and adjusted for impairment losses. Since there is no readily available market value information, the Company periodically reviews this investment to determine if an other than temporary decline in value has occurred based on the financial stability and viability of Aesthetic Science.

Aesthetic Science sold the rights to its Smartfil™ Injector System on July 16, 2010. As a result, Landec evaluated its cost method investment for impairment, utilizing a discounted cash flow analysis. Based on the terms of the agreement, the Company determined that its investment was other than temporarily impaired and therefore, recorded an impairment loss of $1.0 million in fiscal year 2010. The Company's carrying value of its investment in Aesthetic Sciences, net of the impairment loss, is $793,000 at May 26, 2013 and May 27, 2012.

On February 15, 2011, the Company made an investment in Windset which is reported as an investment in non-public company, fair value, in the accompanying Consolidated Balance Sheets as of May 26, 2013 and May 27, 2012. The Company has elected to account for its investment in Windset under the fair value option (see Note 4).

Deferred Revenue

Cash received in advance of services performed (principally related to upfront license fees) are recorded as deferred revenue. At May 26, 2013, $1.2 million was recognized as advances from customers. At May 27, 2012, $162,000 was recognized as advances from customers.

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, following the consolidated net income 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 balance of $1.7 million at May 26, 2013 and $1.8 million at May 27, 2012 is 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 26, 2013, the Company had $783,000 valuation allowance against 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.

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

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

Per Share Information

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

The following table sets forth the computation of diluted net income per share (in thousands, except per share amounts):

	Fiscal Year Ended May 26, 2013	Fiscal Year Ended May 27, 2012	Fiscal Year Ended May 29, 2011
Numerator:			
Net income applicable to Common Stockholders	$ 22,587	$ 12,696	$ 3,920
Denominator:			
Weighted average shares for basic net income per share	25,830	25,849	26,397
Effect of dilutive securities:			
Stock options and restricted stock units	796	277	229
Weighted average shares for diluted net income per share	26,626	26,126	26,626
Diluted net income per share	$ 0.85	$ 0.49	$ 0.15

Options to purchase 88,022, 1,855,167 and 2,032,867 shares of Common Stock at a weighted average exercise price of $12.80, $6.72 and $6.67 per share were outstanding during fiscal years ended May 26, 2013, May 27, 2012 and May 29, 2011, 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.

Cost of Sales

The Company includes in cost of sales all the costs related to the sale of products in accordance with 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.

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.

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

Accounting for Stock-Based Compensation

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. The cash flows resulting from the tax benefit due to tax deductions in excess of the compensation expense recognized for those options (excess tax benefit) are classified as financing activities with the statement of cash flows. The Company's stock-based awards include stock option grants and restricted stock unit awards (RSUs).

During the fiscal year ended May 26, 2013, the Company recognized stock-based compensation expense of $1,695,000 which included $907,000 for restricted stock unit awards and $788,000 for stock option grants. During the fiscal year ended May 27, 2012, the Company recognized stock-based compensation expense of $1,872,000 which included $826,000 for restricted stock unit awards and $1,046,000 for stock option grants. During the fiscal year ended May 29, 2011, the Company recognized stock-based compensation expense of $1,951,000 which included $857,000 for restricted stock unit awards and $1,094,000 for stock option grants.

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

	Fiscal Year Ended May 26, 2013	Fiscal Year Ended May 27, 2012	Fiscal Year Ended May 29, 2011
Research and development	$ 718,000	$ 530,000	$ 565,000
Sales, general and administrative	977,000	1,342,000	1,386,000
Total stock-based compensation expense	$ 1,695,000	$ 1,872,000	$ 1,951,000

The estimated fair value for stock options, which determines the Company's calculation of compensation expense, is based on the Black-Scholes option pricing model. The Company uses the straight line single option method to calculate and recognize the fair value of stock-based compensation arrangements. In addition, the Company uses historical data to estimate pre-vesting forfeitures and records stock-based compensation expense only for those awards that are expected to vest and revises those estimates in subsequent periods if the actual forfeitures differ from the prior estimates.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the expected stock price volatility. As of May 26, 2013, May 27, 2012 and May 29, 2011, the fair value of stock option grants was estimated using the following weighted average assumptions:

	Fiscal Year Ended May 26, 2013	Fiscal Year Ended May 27, 2012	Fiscal Year Ended May 29, 2011
Expected life (in years)	3.76	3.76	3.76
Risk-free interest rate	0.48%	0.59%	1.16%
Volatility	0.53	0.53	0.52
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 26, 2013, May 27, 2012 and May 29, 2011 was $3.57, $2.65 and $2.42 per share, respectively. No stock options were granted above or below grant date market prices during the fiscal years ended May 26, 2013, May 27, 2012 and May 29, 2011.

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 4). The Company has not elected the fair value option for any of its other eligible financial assets or liabilities.

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

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

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

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

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

As of May 26, 2013, the Company held certain assets and liabilities that are required to be measured at fair value on a recurring basis, including marketable securities, interest rate swap and its minority interest investment in Windset.

The fair value of the Company's marketable securities is determined based on observable inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Therefore, the Company has categorized its marketable securities as a Level 1 measurement.

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.

The fair value of the Company's liability for contingent consideration as of May 27, 2012 was based on significant inputs not observed in the market and thus represented a Level 3 measurement. The Company determined the fair value of the liability for the contingent consideration as of May 27, 2012, based on a probability-weighted discounted cash flow analysis.

The Company has elected the fair value option of accounting for its investment in Windset. The calculation of fair value utilizes significant unobservable inputs in the discounted cash flow models, 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 market value of the Company's investment in Windset for the fiscal years ended May 26, 2013 and May 27, 2012 was due to the Company's 20.1% minority interest in the change in the fair market value of Windset during those periods. 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 26, 2013	At May 27, 2012
Revenue growth rates	3% to 9%	3% to 24%
Expense growth rates	3% to 8%	3% to 18%
Income tax rates	15%	25%
Discount rates	18% to 28%	14% to 21%

The revenue growth, expense growth and income tax rate assumptions, consider the Company's best estimate of the trends in those items over the discount period. The discount rate assumption takes into account the risk-free rate of return, the market equity risk premium and the company's specific risk premium and then applies an additional discount for lack of liquidity of the underlying securities. The discounted cash flow valuation model used by the Company has the following sensitivity to changes in inputs and assumptions (in thousands):

	Impact on value of Windset investment as of May 26, 2013
10% increase in revenue growth rates	$1,700
10% increase in expense growth rates	($1,400)
10% increase in income tax rates	($100)
10% increase in discount rates	($900)

Financials

1. **Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)**

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, as of May 26, 2013 and May 27, 2012 (in thousands):

	Fair Value at May 26, 2013			Fair Value at May 27, 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Marketable securities	$ 1,545	$ -	$ -	$ -	$ -	$ -
Investment in private company	-	-	29,600	-	-	21,500
Total...	$ 1,545	$ -	$ 29,600	$ -	$ -	$ 21,500
Liabilities:						
Contingent consideration...............	$ -	$ -	$ -	$ -	$ -	$ 3,933
Interest rate swap...........................	-	163	-	-	347	-
Total...	$ -	$ 163	$ -	$ -	$ 347	$ 3,933

Recent Accounting Pronouncements

Intangibles-Goodwill and Other

In September 2011, the FASB issued new guidance that will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill and intangibles impairment test. Under this amendment, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendment includes a number of events and circumstances for an entity to consider in conducting the qualitative assessment. The guidance is effective for fiscal years beginning after December 15, 2011 with early adoption permitted. The Company adopted this standard beginning in fiscal year 2013 and the adoption did not have a material impact on the Company's consolidated financial statements.

Presentation of Comprehensive Income

In December 2011, the FASB issued new guidance that improves the comparability, consistency, and transparency of financial reporting and increases the prominence of items reported in other comprehensive income by eliminating the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this standard require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Under either method, adjustments must be displayed for items that are reclassified from other comprehensive income ("OCI") to net income, in both net income and OCI. The standard does not change the current option for presenting components of OCI gross or net of the effect of income taxes, provided that such tax effects are presented in the statement in which OCI is presented or disclosed in the notes to the financial statements. Additionally, the standard does not affect the calculation or reporting of earnings per share. For public entities, the amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and are to be applied retrospectively, with early adoption permitted. The Company retrospectively adopted this standard beginning in fiscal year 2013.

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

Fair Value Measurement

In May 2011, the FASB issued new guidance effective for annual reporting periods beginning after December 15, 2011. This guidance amends certain accounting and disclosure requirements related to fair value measurements. Additional disclosure requirements in the update include: (1) for Level 3 fair value measurements, quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs; (2) for an entity's use of a nonfinancial asset that is different from the asset's highest and best use, the reason for the difference; (3) for financial instruments not measured at fair value but for which disclosure of fair value is required, the fair value hierarchy level in which the fair value measurements were determined; and (4) the disclosure of all transfers between Level 1 and Level 2 of the fair value hierarchy. The Company adopted this standard beginning in fiscal year 2013.

Disclosures about Offsetting Assets and Liabilities

In November 2011, the FASB issued new guidance effective for annual reporting periods beginning January 1, 2013. This guidance amends the disclosure requirements around offsetting to enable users of the financial statements to understand the effect of those arrangements on its financial position. Entities are required to disclose both gross and net information about the instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

2. Acquisitions

GreenLine Holding Company

On April 23, 2012 (the "GreenLine Acquisition Date"), Apio acquired all of the outstanding equity of GreenLine under a Stock Purchase Agreement (the "GreenLine Purchase Agreement") in order to expand its product offerings and enter into new markets such as foodservice. GreenLine, headquartered in Bowling Green, Ohio, was a privately-held company and is the leading processor and marketer of value-added, fresh-cut green beans in North America. GreenLine has four processing and distribution plants one each in Ohio, Pennsylvania, Florida and California and distribution centers in New York and South Carolina.

Under the GreenLine Purchase Agreement, the aggregate consideration paid at closing consisted of $62.9 million in cash, including $4.7 million that is held in an escrow account to secure Landec's indemnification rights with respect to certain matters, including breaches of representations, warranties and covenants. In addition, the GreenLine Purchase Agreement included a potential earn out payment up to $7.0 million in the event that GreenLine achieved certain revenue targets during calendar year 2012. The earn out was comprised of $4.0 million for achieving a certain revenue target during calendar year 2012, and up to an additional $3.0 million for exceeding the revenue target by $3.0 million or more. In April 2012, the Company performed an analysis of projected revenues for GreenLine and concluded at that time that it was probable that GreenLine would meet, but not exceed, the initial revenue target and therefore, the Company recorded a $3.9 million liability as of May 27, 2012, representing the present value of the expected earn out payment. As a result of the severe drought in the Midwest during 2012, lower than expected results from new product launches and new planned business not being realized, during the second quarter of fiscal year 2013, the Company determined that GreenLine did not achieve the earn out revenue target. As a result, the Company reversed the $3.9 million liability recorded for the earn out and recorded a corresponding credit to other operating expenses in its Consolidated Statements of Comprehensive Income for fiscal year 2013.

The operating results of GreenLine are included in the Company's financial statements beginning April 23, 2012, in the Food Products Technology operating segment. Included in the Company's results for the fiscal year 2012 was $9.1 million of GreenLine's net sales.

2. Acquisitions (continued)

The acquisition date fair value of the total consideration transferred was $66.8 million, which consisted of the following (in thousands):

Cash	$	62,900
Contingent consideration		3,933
Total	$	66,833

The assets and liabilities of GreenLine were recorded at their respective estimated fair values as of the date of the acquisition using generally accepted accounting principles for business combinations. The excess of the purchase price over the fair value of the net identifiable assets acquired has been allocated to goodwill. Goodwill represents a substantial portion of the acquisition proceeds because of the workforce in-place at acquisition and because of GreenLine's long history and future prospects. Management believes that there is further growth potential by extending GreenLine's product lines into new channels, such as club stores.

The following table summarizes the estimated fair values of GreenLine's assets acquired and liabilities assumed and related deferred income taxes, effective April 23, 2012, the date the Company obtained control of GreenLine (in thousands).

Accounts receivable, net	$	7,057
Inventories, net		1,409
Property and equipment		11,669
Other tangible assets		306
Intangible assets		43,500
Total identifiable assets acquired		63,941
Accounts payable and other liabilities		(8,391)
Deferred taxes		(1,875)
Total liabilities assumed		(10,266)
Net identifiable assets acquired		53,675
Goodwill		13,158
Net assets acquired	$	66,833

The Company used a combination of the market and cost approaches to estimate the fair values of the GreenLine assets acquired and liabilities assumed. During the measurement period (which is not to exceed one year from the acquisition date), the Company is required to retrospectively adjust the provisional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of those assets or liabilities as of that date. No adjustments were made to the fair values of GreenLine assets acquired or liabilities assumed during fiscal year 2013. The Company has finalized the fair values of the acquired assets and assumed liabilities and closed the measurement period.

Intangible Assets

The fair value of indefinite and finite-lived intangible assets was determined using a DCF model, under an income valuation methodology, based on management's five-year projections of revenues, gross profits and operating profits by fiscal year and assumed a 40% effective tax rate for each year. Management took into account the historical trends of GreenLine and the industry categories in which GreenLine operates along with inflationary factors, current economic conditions, new product introductions, cost of sales, operating expenses, capital requirements and other relevant data when developing its projection. The Company believes that the level and timing of cash flows appropriately reflect market participant assumptions. The projected cash flows from these intangibles were based on key assumptions such as estimates of revenues and operating profits related to the intangibles over their respective forecast periods. The resultant cash flows were then discounted using a rate the Company believes is appropriate given the inherent risks associated with each intangible asset and reflect market participant assumptions.

2. Acquisitions (continued)

The Company identified two intangible assets in connection with the GreenLine acquisition: trade names and trademarks valued at $36.0 million, which are considered to be indefinite life assets and therefore, will not be amortized; and customer base valued at $7.5 million with a thirteen 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 distributor method.

Goodwill

The excess of the consideration transferred over the fair values assigned to the assets acquired and liabilities assumed was $13.2 million on the closing date, which represents the goodwill amount resulting from the acquisition which can be attributable to GreenLine's long history, future prospects and the expected operating synergies from combining GreenLine with Apio's fresh-cut, value-added vegetable business. None of the goodwill is expected to be deductible for income tax purposes. The Company will test goodwill for impairment on an annual basis or sooner, if indicators of impairment are present.

Deferred Tax Liabilities

The $1.9 million of net deferred tax liabilities resulting from the acquisition was primarily related to the difference between the book basis and tax basis of the intangible assets and net operating losses that were assumed by the Company in the acquisition.

Acquisition-Related Transaction Costs

The Company recognized $1.4 million of acquisition-related expenses that were expensed in the year ended May 27, 2012 and are included in other operating expenses in the Consolidated Statements of Comprehensive Income for the year ended May 27, 2012. These expenses included investment banker fees, legal, accounting and tax service fees and appraisals fees.

Lifecore Biomedical, Inc.

On April 30, 2010, the Company acquired all of the common stock of Lifecore under a Stock Purchase Agreement ("Lifecore Purchase Agreement") in order to expand its product offerings and enter into new markets. Lifecore was a privately-held HA-based biomaterials company located in Chaska, Minnesota. Lifecore is principally involved in the development and manufacture of products utilizing hyaluronan, a naturally occurring polysaccharide that is widely distributed in the extracellular matrix of connective tissues in both animals and humans.

Under the Lifecore Purchase Agreement, the Company paid to the former Lifecore stockholder at closing $40.0 million in cash. In addition to the cash consideration paid to the former shareholder of Lifecore, the Lifecore Purchase Agreement included an earn out payment of up to an additional $10.0 million based on Lifecore achieving certain revenue targets in calendar years 2011 and 2012. These revenue targets where achieved in calendar year 2011 and the $10.0 million earn out payment was paid by the Company to the former shareholder of Lifecore on May 29, 2012.

3. Sale of Landec Ag

On June 24, 2012, Landec entered into a stock purchase agreement and two licensing agreements (see Note 5) with INCOTEC® Coating and Seed Technology Companies ("INCOTEC"), a leading provider of seed and coating technology products and services to the seed industry.

In the stock purchase agreement, Landec sold its equity interest in its seed subsidiary, Landec Ag LLC, to INCOTEC for $600,000, which resulted in a gain of $400,000. Under accounting guidance, because the stock purchase agreement was entered into at the same time the license agreements were consummated (a multiple element agreement), a portion of the gain, or $300,000, has been deferred and will be recognized as revenue monthly from the sale date over the seven year life of the Pollinator Plus® license agreement (see Note 5). The remaining $100,000 of the gain was recognized during the first quarter of fiscal year 2013.

4. Investments in non-public companies

In December 2005, Landec entered into an exclusive licensing agreement with Aesthetic Sciences for the exclusive rights to use Landec's Intelimer materials technology for the development of dermal fillers worldwide under the agreement. The Company received shares of preferred stock in exchange for the license with a valuation of $1.8 million. Aesthetic Sciences sold the rights to its Smartfil Injector System on July 16, 2010. Landec has evaluated its investment in Aesthetic Sciences for impairment, utilizing a discounted cash flow analysis under the terms of the purchase agreement. Based on the terms of the sale, the Company determined that its investment was other than temporarily impaired and therefore, recorded an impairment charge of $1.0 million in fiscal year 2010. The Company's carrying value of its investment in Aesthetic Sciences is $793,000 as of May 26, 2013 and May 27, 2012. No additional impairment has been determined for the Company's investment in Aesthetic Sciences.

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 150,000 senior preferred shares for $15 million and 201 common shares for $201 that were issued by Windset (the "Purchased Shares"). The Company's common shares represent a 20.1% interest in Windset. The non-voting senior 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 first two dividend payments of $1.1 million each were made in May 2013 and May 2012. The Windset Purchase Agreement includes a put and call option, which can be exercised on the sixth anniversary of the Windset Purchase Agreement whereby Apio can exercise the put to sell its Purchased Shares to Windset, or Windset can exercise the call to purchase the Purchased Shares from Apio, in either case, at a price equal to 20.1% of the appreciation in the fair market value of Windset from the date of the Company's investment through the put and call date, plus the purchase price of the Purchased Shares. Under the terms of the arrangement with Windset, the Company is entitled to designate one of five members on the Board of Directors of Windset.

In accordance with accounting guidance, the investment in Windset does not qualify for equity method accounting as the investment does not meet the criteria of in-substance common stock due to returns through the annual dividend on the non-voting senior preferred shares that are not available to the common stock holders. As the put and call options require the Purchased 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 Company has adopted fair value option in the accounting for its investment in Windset effective on the acquisition date. The fair value of the Company's investment in Windset utilizes significant unobservable inputs in the discounted cash flow models, including projected cash flows, growth rates and the discount rate, and is therefore considered a Level 3 for fair value measurement purposes (see Note 1). The Company believes that reporting its investment at fair value provides its investors with useful information on the performance of the Company's investment and the anticipated appreciation in value as Windset expands its business.

The fair value of the Company's investment in Windset was determined utilizing 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 flow utilized to derive the estimated fair value of the investment. Assumptions included in the discounted cash flow model will be evaluated quarterly based on Windset's actual and projected operating results to determine the change in fair value.

During fiscal years 2013 and 2012, the Company recorded and received in cash $1.1 million in dividend income and the Company recorded $8.1 million and $5.8 million of income, respectively, which is included in other income in the Consolidated Statements of Comprehensive Income, from the increase in the fair market value of the Company's investment in Windset. From the close of the Windset Purchase Agreement on February 15, 2011 to May 29, 2011, the Company recorded $328,000 in dividend income and $662,000 from the increase in the fair market value of the Company's investment in Windset.

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 (see Note 5).

5. License Agreements

Monsanto

On December 1, 2006, Landec entered into a five-year co-exclusive technology license and polymer supply agreement ("the Monsanto Agreement") with Monsanto Company ("Monsanto") for the use of Landec's Intellicoat polymer seed coating technology. On December 1, 2011, Monsanto terminated the Monsanto Agreement and paid the Company a $4 million termination fee and all rights to the Intellicoat seed coating technology reverted to Landec.

For fiscal years 2013, 2012 and 2011, Landec recognized license revenues from the Monsanto Agreement of zero, $2.7 million and $5.4 million, respectively.

INCOTEC

In connection with the sale of Landec Ag to INCOTEC on June 24, 2012 (see Note 3), Landec entered into a seven-year exclusive technology license and polymer supply agreement with INCOTEC for the use of Landec's Intellicoat® polymer seed coating technology for male inbred corn which is sold under the Pollinator Plus label. This license does not include the use of Intellicoat for the controlled release of an active ingredient for agricultural applications which was retained by Landec. Landec will be the exclusive supplier of Pollinator Plus polymer to INCOTEC during the term of the license agreement. Landec will receive a royalty equal to 20% of the revenues realized by INCOTEC from the sale of or sublicense of Pollinator Plus coatings during the first four years of the agreement and 10% for the last three years of the agreement.

On June 24, 2012, Landec also entered into a five-year exclusive technology license and polymer supply agreement with INCOTEC for the joint development of new polymer and unique coatings for use in seed treatment formulations. In this agreement, Landec will receive a value share which will be mutually agreed to by both parties prior to each application being developed.

Air Products

In March 2006, Landec entered into an exclusive license and research and development agreement with Air Products and Chemicals, Inc. ("Air Products"). In accordance with the agreement, Landec receives 40% of the direct profit generated from the sale of products by Air Products occurring after April 1, 2007, that incorporate Landec's Intelimer materials.

Chiquita

In September 2007, the Company amended its licensing and supply agreement with Chiquita Brands International, Inc. ("Chiquita"). Under the terms of the amendment, the license for bananas was expanded to include additional exclusive fields using Landec's BreatheWay® packaging technology, and a new exclusive license was added for the sale and marketing of avocados and mangos using Landec's BreatheWay packaging technology. The agreement with Chiquita has been renewed through December 2016 and requires Chiquita to pay annual gross profit minimums to Landec in order for Chiquita to maintain its exclusive license for bananas, avocados and mangos. Under the terms of the agreement, Chiquita must notify Landec before December 1st of each year whether it is going to maintain its exclusive license for the following calendar year and thus agree to pay the minimums for that year. Landec was notified in November 2012 that Chiquita had chosen to not maintain its exclusive license for calendar year 2013 and thus was not required to pay the minimum gross profit for calendar year 2013. As a result, the agreement has reverted to a non-exclusive agreement in which Chiquita will pay the Company for membranes purchased on a per unit sales basis and the Company is now entitled to sell its BreatheWay packaging technology for bananas, avocados and mangos to others.

5. License Agreements (continued)

Windset

In June 2010, Apio entered into an exclusive license agreement with Windset for Windset to utilize Landec's proprietary breathable packaging to extend the shelf life of greenhouse grown cucumbers, peppers and tomatoes ("Exclusive Products"). In accordance with the agreement, Apio received and recorded a one-time upfront research and development fee of $100,000 and will receive license fees equal to 3% of net revenue of the Exclusive Products utilizing the proprietary breathable packaging technology, with or without the BreatheWay trademark. The ongoing license fees are subject to annual minimums of $150,000 for each of the three types of exclusive product as each is added to the agreement. As of May 26, 2013, two products have been added to the agreement.

Nitta

In July 2012, the Company entered into an agreement with Nitta Corporation ("Nitta"), a Japanese company, to develop additional uses of the Company's adhesive polymer technology for electronics. During fiscal year 2013, the Company recognized $688,000 in research and development revenues from this agreement.

6. Property and Equipment

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

	Years of Useful Life	May 26, 2013	May 27, 2012
Land and building	15-30	$ 52,527	$ 51,993
Leasehold improvements	3-20	1,029	1,103
Computer, capitalized software, machinery, equipment and auto	3-7	47,066	43,094
Furniture and fixtures	5-7	766	551
Construction in process		3,355	727
Gross property and equipment		104,743	97,468
Less accumulated depreciation and amortization		(38,932)	(33,973)
Net property and equipment		$ 65,811	$ 63,495

Depreciation and amortization expense for property and equipment for the fiscal years ended May 26, 2013, May 27, 2012 and May 29, 2011 was $6.3 million, $5.3 million and $5.0 million, respectively. There were no equipment under capital leases at May 26, 2013. Equipment under capital leases totaled $158,000 at May 27, 2012 and the related accumulated amortization as of May 27, 2012 was zero as these leases were assumed in the acquisition of GreenLine on April 23, 2012. Amortization related to capitalized software was $160,000, $136,000 and $136,000 for fiscal years ended May 26, 2013, May 27, 2012 and May 29, 2011, respectively. The unamortized computer software costs at May 26, 2013 and May 27, 2012 were $343,000 and $468,000, respectively.

7. Intangible Assets

Changes in the carrying amount of goodwill for the fiscal years ended May 26, 2013, May 27, 2012 and May 29, 2011 by reportable segment, are as follows (in thousands):

	Food Products Technology	Corporate	Hyaluronan-based Biomaterials	Total
Balance as of May 30, 2010	$ 22,581	$ 4,780	$ 13,793	$ 41,154
Goodwill acquired/reclassified during the period	—	—	88	88
Goodwill impaired during the period	—	(4,780)	—	(4,780)
Balance as of May 29, 2011	22,581	—	13,881	36,462
Goodwill acquired during the period	13,158	—	—	13,158
Balance as of May 27, 2012	35,739	—	13,881	49,620
Goodwill acquired during the period	—	—	—	—
Balance as of May 26, 2013	$ 35,739	$ —	$ 13,881	$ 49,620

Information regarding Landec's other intangible assets is as follows (in thousands):

	Trademarks & Trade names	Customer Relationships	Total
Balance as of May 30, 2010	12,428	3,674	16,102
Amortization expense	—	(308)	(308)
Balance as of May 29, 2011	12,428	3,366	15,794
Acquired during the period	36,000	7,500	43,500
Amortization expense	—	(309)	(309)
Balance as of May 27, 2012	48,428	10,557	58,985
Amortization expense	—	(951)	(951)
Balance as of May 26, 2013	$ 48,428	$ 9,606	$ 58,034

Accumulated amortization of Trademarks and Tradenames as of May 26, 2013 and May 27, 2012 was $872,000. Accumulated amortization of Customer Relationships as of May 26, 2013 and May 27, 2012 was $1.6 million and $643,000, respectively. Accumulated impairment losses as of May 26, 2013 and May 27, 2012 were $4.8 million. Lifecore's customer relationships amount of $3.7 million is being amortized over 12 years and GreenLine's customer relationships amount of $7.5 million is being amortized over 13 years. The amortization expense for the next five fiscal years is estimated to be $885,000 per year.

8. 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 26, 2013 has no outstanding preferred stock.

Common Stock and Stock Option Plans

At May 26, 2013, the Company had 1.9 million common shares reserved for future issuance under Landec equity incentive plans.

On October 15, 2009, following stockholder approval at the Annual Meeting of Stockholders of the Company, the 2009 Stock Incentive Plan (the "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 are eligible to participate in the Plan.

8. **Stockholders' Equity (continued)**

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 1.9 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 was the fair market value of the Company's Common Stock on the date the options were granted.

On October 14, 2005, following stockholder approval at the Annual Meeting of Stockholders of the Company, the 2005 Stock Incentive Plan ("2005 Plan") became effective. The 2005 Plan replaced the Company's four then existing equity plans and no shares remain available for grant under those plans. Employees (including officers), consultants and directors of the Company and its subsidiaries and affiliates were eligible to participate in the 2005 Plan. The 2005 Plan provided for the grant of stock options (both nonstatutory and incentive stock options), stock grants, stock units and stock appreciation rights. Under the 2005 Plan, 861,038 Shares were initially available for awards, and as of May 26, 2013, 344,300 options to purchase shares remain outstanding. The exercise price of the options was the fair market value of the Company's Common Stock on the date the options were granted.

The 1995 Directors' Stock Option Plan (the "Directors' Plan") provided that each person who became a non-employee director of the Company, who had not received a previous grant, be granted a nonstatutory stock option to purchase 20,000 shares of Common Stock on the date on which the optionee first became a non-employee director of the Company. Thereafter, on the date of each annual meeting of the stockholders each non-employee director was granted an additional option to purchase 10,000 shares of Common Stock if, on such date, he or she had served on the Company's Board of Directors for at least six months prior to the date of such annual meeting. The exercise price of the options was the fair market value of the Company's Common Stock on the date the options were granted. Options granted under this plan were exercisable and vested upon grant.

The 1996 Non-Executive Stock Option Plan authorized the Board of Directors to grant non-qualified stock options to employees, including executive officers, and outside consultants of the Company. The exercise price of the options was equal to the fair market value of the Company's Common Stock on the date the options were granted. Options were generally exercisable upon vesting and generally vested ratably over four years and were subject to repurchase if exercised before being vested.

The 1996 Stock Option Plan authorized the Board of Directors to grant stock purchase rights, incentive stock options or non-statutory stock options to Landec executives. The exercise price of the stock purchase rights, incentive stock options and non-statutory stock options could be no less than 100% of the fair market value of Landec's Common Stock on the date the options were granted. Options generally were exercisable upon vesting, generally vested ratably over four years and were subject to repurchase if exercised before being vested.

8. Stockholders' Equity (continued)

Activity under all Landec equity incentive plans is as follows:

Stock-Based Compensation Activity

	RSUs and Options Available for Grant	Restricted Stock Outstanding: Number of Restricted Shares	Restricted Stock Outstanding: Weighted Average Grant Date Fair Value	Stock Options Outstanding: Number of Stock Options	Stock Options Outstanding: Weighted Average Exercise Price
Balance at May 30, 2010	770,311	431,605	$ 6.35	2,456,829	$ 6.13
Granted	(129,335)	32,335	$ 6.00	97,000	$ 6.00
Awarded/Exercised	—	(48,855)	$ 9.48	(217,076)	$ 3.46
Forfeited	—	—	—	(18,000)	$ 10.63
Balance at May 29, 2011	640,976	415,085	$ 5.96	2,318,753	$ 6.34
Granted	(191,333)	47,833	$ 6.67	143,500	$ 6.67
Awarded/Exercised	—	(111,252)	$ 6.36	(371,727)	$ 5.40
Forfeited	—	(3,500)	$ 5.84	(5,657)	$ 5.76
Plan shares expired	—	—	—	(38,437)	$ 8.23
Balance at May 27, 2012	449,643	348,166	$ 5.93	2,046,432	$ 6.50
Granted	(26,666)	6,666	$ 9.01	20,000	$ 9.01
Awarded/Exercised	—	(231,086)	$ 5.74	(671,563)	$ 6.30
Forfeited	—	(28,416)	$ 6.20	(44,977)	$ 6.34
Plan shares expired	—	—	—	(10,000)	$ 13.32
Balance at May 26, 2013	422,977	95,330	$ 6.52	1,339,892	$ 6.58

Upon vesting of certain RSUs and the exercise of certain options during fiscal years 2013, 2012 and 2011, 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 2013, 2012 and 2011 were 145,159, 326,954 and 136,374 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 the employees' tax obligations to the taxing authorities during fiscal year 2013 were approximately $49,000. 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 26, 2013**:**

Range of Exercise Prices	Options Outstanding: Number of Shares Outstanding	Options Outstanding: Weighted Average Remaining Contractual Life (in years)	Options Outstanding: Weighted Average Exercise Price	Options Outstanding: Aggregate Intrinsic Value	Options Exercisable: Number of Shares Exercisable	Options Exercisable: Weighted Average Exercise Price	Options Exercisable: Aggregate Intrinsic Value
$5.63 - $5.63	423,101	4.00	$ 5.63	$ 3,490,583	423,101	$ 5.63	$ 3,490,583
$5.65 - $6.22	367,135	3.57	$ 6.15	$ 2,836,564	359,005	$ 6.16	$ 2,772,504
$6.35 - $7.50	443,656	2.89	$ 6.77	$ 3,153,362	391,496	$ 6.79	$ 2,776,788
$8.19 - $13.32	106,000	2.31	$ 11.09	$ 296,110	89,332	$ 11.47	$ 214,937
$5.63 - $13.32	1,339,892	3.38	$ 6.58	$ 9,776,619	1,262,934	$ 6.55	$ 9,254,812

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8. Stockholders' Equity (continued)

The weighted average remaining contractual life of options exercisable as of May 26, 2013 was 3.01 years.

At May 26, 2013 and May 27, 2012 options to purchase 1,262,934 and 1,620,562 shares of Landec's Common Stock were vested, 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 $13.88 on May 24, 2013, 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 26, 2013, was 1,262,934 shares. The aggregate intrinsic value of stock options exercised during the fiscal year 2013 was $4.1 million.

Shares Subject to Vesting

The following table summarizes the activity relating to unvested stock option grants and RSUs during the fiscal year ended May 26, 2013:

	Stock Options		Restricted Stock	
	Shares	Weighted Average Fair Value	Shares	Weighted Average Fair Value
Unvested at May 27, 2012	425,870	$ 2.43	348,166	$ 5.93
Granted	20,000	$ 3.57	6,666	$ 9.01
Vested/Awarded	(323,935)	$ 2.87	(231,086)	$ 5.74
Forfeited	(44,977)	$ —	(28,416)	$ 6.20
Unvested at May 26, 2013	76,958	$ 2.29	95,330	$ 6.52

As of May 26, 2013, there was $418,000 of total unrecognized compensation expense related to unvested equity compensation awards granted under the Company's incentive stock plans. Total expense is expected to be recognized over the weighted-average period of 2.0 years for stock options and 1.7 years for restricted stock 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 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 year 2013, the Company did not purchase any shares on the open market. During fiscal year 2012, the Company purchased on the open market 917,244 shares of its Common Stock for $5.0 million and retired those shares. During fiscal year 2011, the Company purchased on the open market 215,684 shares of its Common Stock for $1.2 million and retired those shares.

9. Debt

Long-term debt consists of the following (in thousands):

	May 26, 2013	May 27, 2012
Real estate 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	$ 17,065	$ 17,957
Real estate bridge loan agreement with GE Capital; due in monthly principal and interest payments of $8,902 with a lump sum final principal payment due on May 1, 2013 with interest based on a fixed rate of 4.02% per annum	—	1,200
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	11,080	12,660
Term note with BMO Harris; due in monthly payments of $250,000 through May 23, 2016 with interest payable monthly at LIBOR plus 2% per annum	9,000	12,000
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 (0.38% and 0.42% at May 26, 2013 and May 27, 2012, respectively)	3,160	3,500
Total	40,305	47,317
Less current portion	(5,933)	(7,012)
Long-term portion	$ 34,372	$ 40,305

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

	GE RE Loan	GE Equipment	BMO Harris	IRB	Total
FY 2014	$ 928	$ 1,650	$ 3,000	$ 355	$ 5,933
FY 2015	966	1,725	3,000	365	6,056
FY 2016	1,005	1,801	3,000	375	6,181
FY 2017	1,047	1,882	—	390	3,319
FY 2018	1,089	1,967	—	400	3,456
Thereafter	12,030	2,055	—	1,275	15,360
Total	$ 17,065	$ 11,080	$ 9,000	$ 3,160	$ 40,305

In addition to entering into the GE real estate and equipment loans mentioned above, on April 23, 2012 in connection with the acquisition of GreenLine, Apio also entered into a five-year, $25.0 million asset-based working capital revolving line of credit, with an interest rate of LIBOR plus 2%, with availability based on the combination of the eligible accounts receivable and eligible inventory (availability was $14.6 million at May 26, 2013). Apio's revolving line of credit has an unused fee of 0.375% per annum. At May 26, 2013 and May 27, 2012, Apio had $4.0 million and $11.7 million, respectively, outstanding under its revolving line of credit.

The GE real estate, equipment and line of credit agreements (collectively the "GE Debt Agreements") are secured by liens on all of the property of Apio and its subsidiaries. The GE Debt Agreements contain customary events of default under which obligations could be accelerated or increased. The GE Debt Agreements are guaranteed by Landec and Landec has pledged its equity interest in Apio as collateral under the agreements. Apio was in compliance with all financial covenants as of May 26, 2013. Unamortized loan origination fees for the GE Debt Agreements were $1.2 million and $1.3 million at May 26, 2013 and May 27, 2012, respectively, and are included in other assets in the Consolidated Balance Sheets. Amortization of loan origination fees recorded to interest expense for fiscal years 2013, 2012 and 2011 were $181,000, $15,000 and zero, respectively.

9. Debt (continued)

On May 23, 2012, Lifecore entered into two financing agreements with BMO Harris Bank N.A. and/or its affiliates ("BMO Harris"), collectively (the "Lifecore Loan Agreements"):

1) A Credit and Security Agreement (the "Credit Agreement") which includes (a) a one-year, $8.0 million asset-based working capital revolving line of credit, with an interest rate of LIBOR plus 1.85%, with availability based on the combination of Lifecore's eligible accounts receivable and inventory balances (availability was $7.0 million at May 26, 2013) and with no unused fee (at May 26, 2013 and May 27, 2012, no amounts were outstanding under the line of credit) and (b) a $12.0 million term loan which matures in four years due in monthly payments of $250,000 with interest payable monthly based on a variable interest rate of LIBOR plus 2% (the "Term Loan").

2) A Reimbursement Agreement pursuant to which BMO Harris caused its affiliate Bank of Montreal to issue an irrevocable letter of credit in the amount of $3.5 million (the "Letter of Credit") which is securing the IRB described below.

The obligations of Lifecore under the Lifecore Loan Agreements are secured by liens on all of the property of Lifecore. The Lifecore Loan Agreements contain customary covenants, such as limitations on the ability to (1) incur indebtedness or grant liens or negative pledges on Lifecore's assets; (2) make loans or other investments; (3) pay dividends or repurchase stock or other securities; (4) sell assets; (5) engage in mergers; (6) enter into sale and leaseback transactions; (7) adopt certain benefit plans; and (8) make changes in Lifecore's corporate structure. In addition, under the Credit Agreement, Lifecore must maintain (a) a minimum fixed charge coverage ratio of 1.10 to 1.0 and a minimum quick ratio of 1.25 to 1.00, both of which must be satisfied as of the end of each fiscal quarter commencing with the fiscal quarter ending August 26, 2012 and (b) a minimum tangible net worth of $29,000,000, measured as of May 28, 2013, and as of the end of each fiscal year thereafter. Unamortized loan origination fees for the Lifecore Loan Agreements were $149,000 and $139,000 at May 26, 2013 and May 27, 2012, respectively, and are included in other assets in the Consolidated Balance Sheets. Amortization of loan origination fees recorded to interest expense for fiscal year 2013, 2012 and 2011 were $50,000, $161,000 and $45,000 respectively. Lifecore was in compliance with all financial covenants as of May 26, 2013.

The market value of the Company's debt approximates its recorded value as the interest rates on each debt instrument approximates current market rates.

The Term Loan was used to repay Lifecore's former credit facility with Wells Fargo Bank, N.A. ("Wells Fargo"). The Letter of Credit (which replaces a letter of credit previously provided by Wells Fargo) provides liquidity and credit support for the IRBs.

On August 19, 2004, Lifecore issued variable rate industrial revenue bonds ("IRBs"). These IRBs were assumed by Landec in the acquisition of Lifecore (see Note 2). The IRBs are collateralized by a bank letter of credit which is secured by a first mortgage on the Company's facility in Chaska, Minnesota. In addition, the Company pays an annual remarketing fee equal to 0.125% and an annual letter of credit fee of 0.75%. The maturities on the IRBs are held in a sinking fund account, recorded in Other Current Assets in the accompanying Consolidated Balance Sheets, and are paid out each year on September 1st.

10. Derivative Financial Instruments

In May 2010, the Company entered into a five-year interest rate swap agreement under the credit agreement with Wells Fargo, which expires on April 30, 2015. The interest rate swap was designated as a cash flow hedge of future interest payments of LIBOR and had a notional amount of $20 million. As a result of the interest rate swap transaction, the Company fixed for a five-year period the interest rate at 4.24% subject to market based interest rate risk on $20 million of borrowings under the credit agreement with Wells Fargo. The Company's obligations under the interest rate swap transaction as to the scheduled payments were guaranteed and secured on the same basis as its obligations under the credit agreement with Wells Fargo at the time the agreement was consummated. Upon entering into the new Term Loan with BMO Harris, the Company used the proceeds from that loan to pay off the Wells Fargo credit facility. The swap with Wells Fargo was not terminated upon the extinguishment of the debt with Wells Fargo. As a result of extinguishing the debt with Wells Fargo as of May 23, 2012, the swap was no longer an effective hedge and therefore, the fair value of the swap at the time the debt was extinguished of $347,000 was reversed from other comprehensive income and recorded in other expense during fiscal year 2012. The fair value of the swap arrangement as of May 26, 2013 and May 27, 2012 was $163,000 and $347,000, respectively, and is included in other accrued liabilities in the accompanying Consolidated Balance Sheets.

11. Income Taxes

The provision for income taxes consisted of the following (in thousands):

	Year ended May 26, 2013	Year ended May 27, 2012	Year ended May 29, 2011
Current:			
Federal	$ 2,808	$ 4,597	$ 881
State	(18)	(586)	176
Foreign	56	56	—
Total	2,846	4,067	1,057
Deferred:			
Federal	6,218	2,641	3,140
State	388	477	(16)
Total	6,606	3,118	3,124
Income tax expense	$ 9,452	$ 7,185	$ 4,181

The actual provision for income taxes differs from the statutory U.S. federal income tax rate as follows (in thousands):

	Year Ended May 26, 2013	Year Ended May 27, 2012	Year Ended May 29, 2011
Provision at U.S. statutory rate [1]	$ 11,214	$ 6,958	$ 2,835
State income taxes, net of federal benefit	731	451	213
Goodwill impairment charge	—	—	1,849
Change in valuation allowance	370	1	(7)
Tax-exempt interest	—	(40)	(115)
Tax credit carryforwards	(801)	(368)	(637)
Transaction costs	—	322	—
Domestic manufacturing deduction	(172)	(208)	—
Change in value of contingent consideration	(1,450)	—	—
Other	(440)	69	43
Total	$ 9,452	$ 7,185	$ 4,181

(1) Statutory rate was 35% for fiscal years 2013, 2012 and 2011.

The increase in the income tax expense in fiscal year 2013 compared to fiscal year 2012 is due to a 59% increase in net income before taxes offset by a decrease in the Company's effective tax rate to 30% down from 36% in fiscal year 2012. The increase in the income tax expense in fiscal year 2012 compared to fiscal year 2011 is due to a 140% increase in net income before taxes partially offset by a decrease in the Company's effective tax rate to 36% down from 52% in fiscal year 2011.

The effective tax rates for fiscal year 2013 differ from the statutory federal income tax rate of 35 percent as a result of several factors, including state taxes, change in value of contingent consideration, non-deductible stock-based compensation expense, disqualified dispositions of incentive stock options, domestic manufacturing deduction, the benefit of federal and state research and development credits and the change in valuation allowance. The effective tax rates for fiscal year 2012 differ from the statutory federal income tax rate of 35 percent as a result of several factors, including state taxes, non-deductible stock-based compensation expense, tax exempt interest, domestic manufacturing deduction and the benefit of federal and state research and development credits and accounting for transaction costs associated with the GreenLine acquisition in fiscal year 2012. The effective tax rates for fiscal year 2011 differ from the statutory federal income tax rate of 35 percent as a result of several factors, including state taxes, non-deductible stock-based compensation expense, tax exempt interest and the goodwill impairment charge. In addition to the above, the Company was able to further reduce the effective tax rate for fiscal year 2011 as a result of being a recipient of a therapeutic drug credit award and the extension of the federal research and development credit.

11. Income Taxes (continued)

Significant components of deferred tax assets and liabilities consisted of the following (in thousands):

	May 26, 2013	May 27, 2012
Deferred tax assets:		
Net operating loss carryforwards	$ 3,853	$ 3,954
Accruals and reserves	1,388	2,191
Stock-based compensation	621	981
Research and AMT credit carryforwards	486	328
Other	450	428
Gross deferred tax assets	6,798	7,882
Valuation allowance	(783)	(419)
Net deferred tax assets	6,015	7,463
Deferred tax liabilities:		
Basis difference in investment in non-public company	(5,505)	(2,510)
Depreciation and amortization	(5,822)	(5,575)
Goodwill and other indefinite life intangibles	(17,160)	(15,339)
Deferred tax liabilities	(28,487)	(23,424)
Net deferred tax liabilities	$ (22,472)	$ (15,961)

As of May 26, 2013, the Company had federal, California, and other state net operating loss carryforwards of approximately $8.8 million, $4.6 million, and $15.2 million respectively. These losses expire in different periods through 2032, if not utilized. Such net operating losses consist of excess tax benefits from employee stock option exercises and have not been recorded in the Company's deferred tax assets. The Company will record approximately $4.6 million of the gross California net operating loss as a credit to additional paid in capital as and when such excess tax benefits are ultimately realized. The Company acquired additional net operating losses through the acquisition of Greenline. Utilization of these acquired net operating losses in a specific year is limited due to the "change in ownership" provision of the Internal Revenue Code of 1986 and similar state provisions. The net operating losses presented above for federal and state purposes are net of any such limitation.

The Company has federal and state research and development tax credits carryforwards of approximately $118,000 and $1.2 million, respectively. The research and development tax credit carryforwards expire in different periods through 2033 for federal purposes and have an unlimited carryforward period for state purposes. The Company also has federal therapeutic drug tax credit carryforward of approximately $244,000 that will expire in 2031. Furthermore, the Company has federal alternative minimum tax credits of approximately $874,000 that can be carried forward indefinitely. Certain tax credit carryovers are attributable to excess tax benefits from employee stock option exercises and have not been recorded in the Company's deferred tax assets. The Company will record $1.2 million of the above Federal credit and $338,000 of the gross California credit will be recorded to additional paid in capital as and when such excess tax benefits are ultimately realized.

Valuation allowances are reviewed each period on a tax jurisdiction by jurisdiction basis to analyze whether there is sufficient positive or negative evidence to support a change in judgment about the realizability of the related deferred tax assets. Based on this analysis and considering all positive and negative evidence, we determined that a valuation allowance of $783,000 should be recorded as a result of uncertainty around the utilization of certain state net operating losses and a book impairment 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 $364,000 from the prior year primarily due to uncertainty around the utilization of certain state net operating losses.

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.

11. Income Taxes (continued)

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	As of		
	May 26, 2013	May 27, 2012	May 29, 2011
Unrecognized tax benefits – beginning of the period	$ 766	$ 760	$ 868
Gross increases – tax positions in prior period	103	1	280
Gross decreases – tax positions in prior period	—	(1)	(310)
Gross increases – current-period tax positions	129	246	75
Settlements	—	—	—
Lapse of statute of limitations	—	(240)	(153)
Unrecognized tax benefits – end of the period	$ 998	$ 766	$ 760

As of May 26, 2013, the total amount of net unrecognized tax benefits is $1.0 million, of which, $807,000, 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 is not material as of May 26, 2013. Additionally, the Company does not expect its unrecognized tax benefits to change materially within the next twelve months.

Due to tax attribute carryforwards, the Company is subject to examination for tax years 1997 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.

12. Commitments and Contingencies

Operating Leases

Landec leases facilities and equipment under operating lease agreements with various terms and conditions, which expire at various dates through fiscal year 2019. Certain of these leases have various renewal options.

The approximate future minimum lease payments under these operating leases, excluding land leases, at May 26, 2013 are as follows (in thousands):

	Amount
FY2014	$ 2,139
FY2015	1,730
FY2016	1,421
FY2017	1,135
FY2018	554
Thereafter	350
	$ 7,329

Rent expense for operating leases, including month to month arrangements was $4.8 million, $1.5 million and $1.2 million for the fiscal years 2013, 2012 and 2011, respectively.

Capital Leases

There was no equipment under capital lease agreements at May 26, 2013.

Employment Agreements

Landec has entered into employment agreements with certain key employees. These agreements provide for these employees to receive incentive bonuses based on the financial performance of certain divisions in addition to their annual base salaries. The accrued incentive bonuses amounted to $548,000 at May 26, 2013 and $526,000 at May 27, 2012.

12. Commitments and Contingencies (continued)

Purchase Commitments

At May 26, 2013, the Company was committed to purchase $2.2 million of produce during fiscal year 2014 in accordance with contractual terms at market rates. Payments of $9.5 million were made in fiscal year 2013 under these arrangements.

Loss Contingencies

As of May 26, 2013, the Company is not a party to any legal proceedings.

13. Employee Savings and Investment Plans

The Company sponsors a 401(k) plan which is available to substantially all of the Company's employees. Landec's Corporate Plan, which is available to all Landec employees ("Landec Plan"), allows participants to contribute from 1% to 50% of their salaries, up to the Internal Revenue Service (IRS) limitation into designated investment funds. The Company matches 67% on the first 6% contributed by an employee. Participants are at all times fully vested in their contributions. The Company's contribution vests annually over a four-year period at a rate of 25% per year. The Company retains the right, by action of the Board of Directors, to amend, modify, or terminate the plan. For fiscal years 2013, 2012 and 2011, the Company contributed $939,000, $789,000 and $720,000, respectively, to the Landec Plan.

14. 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 Food Products Technology segment, the Food Export segment and the Hyaluronan-based Biomaterials segment.

The Food Products Technology 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 Food Products Technology segment sells BreatheWay packaging to partners for non-vegetable products. The Food Export segment consists of revenues generated from the purchase and sale of primarily whole commodity fruit and vegetable products to Asia and domestically. The HA-based 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, for medical use primarily in the Ophthalmic, Orthopedic and Veterinary markets. As a result of the sale of Landec Ag to INCOTEC and the termination of the Monsanto Agreement in fiscal year 2012, the Company has eliminated the Technology Licensing segment and combined the remainder of that business into the Corporate segment. As a result of this change, the segment information for fiscal years 2012 and 2011 has been reclassified to conform with the current year classification. Corporate licenses Landec's patented Intellicoat seed coatings to the farming industry and licenses the Company's Intelimer polymers for personal care products and other industrial products. The Corporate segment also includes general and administrative expenses, non-Food Products Technology and non HA-based Biomaterials interest income and income tax expenses. Beginning in fiscal year 2013, the Food Products Technology, the Food Export and the Hyaluronan-based Biomaterials segments include charges for corporate services and tax sharing allocated from the Corporate segment. All of the assets of the Company are located within the United States of America.

The Company's international sales were as follows (in millions):

	May 26, 2013	May 27, 2012	May 29, 2011
Taiwan	$ 31.0	$ 22.7	$ 21.3
Indonesia	$ 21.0	$ 23.0	$ 20.2
Canada	$ 27.8	$ 20.8	$ 18.4
Belgium	$ 16.6	$ 15.6	$ 16.7
Japan	$ 10.6	$ 11.1	$ 8.4
All Other Countries	$ 25.8	$ 21.3	$ 18.8

14. Business Segment Reporting (continued)

Operations by segment consisted of the following (in thousands):

Fiscal Year Ended May 26, 2013	Food Products Technology	Food Export	Hyaluronan-based Biomaterials	Corporate	TOTAL
Net sales	$ 320,447	$ 78,568	$ 41,281	$ 1,412	$ 441,708
International sales	$ 27,532	$ 78,442	$ 26,792	$ —	$ 132,766
Gross profit	$ 37,077	$ 5,274	$ 19,102	$ 1,307	$ 62,760
Net income (loss)	$ 20,526	$ 1,660	$ 6,835	$ (6,434)	$ 22,587
Identifiable assets	$ 180,104	$ 21,737	$ 80,940	$ 8,161	$ 290,942
Depreciation and amortization	$ 4,761	$ 4	$ 2,379	$ 151	$ 7,295
Capital expenditures	$ 5,598	$ —	$ 3,190	$ 89	$ 8,877
Dividend income	$ 1,125	$ —	$ —	$ —	$ 1,125
Interest income	$ 42	$ —	$ 137	$ —	$ 179
Interest expense	$ 1,707	$ —	$ 301	$ —	$ 2,008
Income tax expense	$ 3,399	$ 339	$ 1,400	$ 4,314	$ 9,452
Fiscal Year Ended May 27, 2012					
Net sales	$ 207,582	$ 71,485	$ 34,283	$ 4,202	$ 317,552
International sales	$ 20,528	$ 71,054	$ 22,904	$ —	$ 114,486
Gross profit	$ 25,237	$ 4,900	$ 17,994	$ 4,007	$ 52,138
Net income (loss)	$ 17,527	$ 2,269	$ 7,672	$ (14,772)	$ 12,696
Identifiable assets	$ 169,541	$ 18,425	$ 81,927	$ 7,799	$ 277,692
Depreciation and amortization	$ 3,191	$ 7	$ 2,242	$ 181	$ 5,621
Capital expenditures	$ 2,498	$ —	$ 2,798	$ 75	$ 5,371
Dividend income	$ 1,125	$ —	$ —	$ —	$ 1,125
Interest income	$ 30	$ —	$ 129	$ 21	$ 180
Interest expense	$ 178	$ —	$ 751	$ —	$ 929
Income tax expense	$ —	$ —	$ —	$ 7,185	$ 7,185
Fiscal Year Ended May 29, 2011					
Net sales	$ 175,664	$ 61,663	$ 32,505	$ 6,897	$ 276,729
International sales	$ 18,580	$ 61,214	$ 24,024	$ —	$ 103,818
Gross profit	$ 18,888	$ 3,901	$ 17,231	$ 6,675	$ 46,695
Net income (loss)	$ 8,200	$ 1,617	$ 7,278	$ (13,175)	$ 3,920
Identifiable assets	$ 88,241	$ 16,320	$ 83,954	$ 17,797	$ 206,312
Depreciation and amortization	$ 3,174	$ 8	$ 1,972	$ 159	$ 5,313
Capital expenditures	$ 3,620	$ —	$ 2,817	$ 247	$ 6,684
Dividend income	$ 328	$ —	$ —	$ —	$ 328
Interest income	$ 129	$ —	$ 164	$ 137	$ 430
Interest expense	$ 2	$ —	$ 818	$ —	$ 820
Income tax expense	$ —	$ —	$ —	$ 4,181	$ 4,181

15. **Quarterly Consolidated Financial Information (unaudited)**

The following is a summary of the unaudited quarterly results of operations for fiscal years 2013, 2012 and 2011 (in thousands, except for per share amounts):

FY 2013	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	FY 2013
Revenues	$ 102,074	$ 114,654	$ 117,867	$ 107,113	$ 441,708
Gross profit	$ 13,763	$ 18,459	$ 17,508	$ 13,030	$ 62,760
Net income	$ 4,366	$ 8,913	$ 4,789	$ 4,519	$ 22,587
Net income per basic share	$ 0.17	$ 0.35	$ 0.19	$ 0.17	$ 0.87
Net income per diluted share	$ 0.17	$ 0.34	$ 0.18	$ 0.17	$ 0.85

FY 2012	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	FY 2012
Revenues	$ 73,301	$ 81,570	$ 80,064	$ 82,617	$ 317,552
Gross profit	$ 11,250	$ 13,010	$ 13,172	$ 14,706	$ 52,138
Net income	$ 1,812	$ 3,340	$ 4,765	$ 2,779	$ 12,696
Net income per basic share	$ 0.07	$ 0.13	$ 0.19	$ 0.11	$ 0.49
Net income per diluted share	$ 0.07	$ 0.13	$ 0.18	$ 0.11	$ 0.49

FY 2011	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	FY 2011
Revenues	$ 64,953	$ 70,168	$ 73,508	$ 68,100	$ 276,729
Gross profit	$ 11,817	$ 11,855	$ 12,477	$ 10,546	$ 46,695
Net income (loss)	$ 2,304	$ 2,055	$ 2,298	$ (2,737)	$ 3,920
Net income (loss) per basic share	$ 0.09	$ 0.08	$ 0.09	$ (0.10)	$ 0.15
Net income (loss) per diluted share	$ 0.09	$ 0.08	$ 0.09	$ (0.10)	$ 0.15

(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 18, 2011.
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*	Form of Option Agreement for 1995 Directors' Stock Option Plan, incorporated herein by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 1996.
10.3	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.
10.4*	Form of Option Agreement for the 1996 Non-Executive Stock Option Plan, as amended, incorporated herein by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 1996.
10.5*	1996 Amended and Restated Stock Option Plan, incorporated herein by reference to Exhibit 10.17 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 29, 2001.
10.6*	Form of Option Agreement for 1996 Amended and Restated Stock Option Plan, incorporated herein by reference to Exhibit 10.17 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1997.
10.7*	New Executive Stock Option Plan, incorporated herein by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the fiscal year ended October 29, 2000.
10.8*	1996 Non-Executive Stock Option Plan, as amended, incorporated herein by reference to Exhibit 10.35 to the Registrant's Annual Report on Form 10-K for the fiscal year ended October 28, 2001.
10.9*	Employment Agreement between the Registrant and Gary T. Steele effective as of January 1, 2012, incorporated herein by reference to Exhibit 10.35 to the Registrant's Current Report on Form 8-K dated February 15, 2012.
10.10	Supply Agreement between the Registrant and Apio Fresh LLC and the Growers listed therein, dated as of July 3, 2003, incorporated herein by reference to Exhibit 2.3 to the Registrant's Current Report on Form 8-K dated July 3, 2003.
10.11*	1995 Directors' Stock Option Plan, as amended, incorporated herein by reference to Exhibit 10.53 to the Registrant's Annual Report on Form 10-Q for the fiscal quarter ended May 25, 2003.
10.12#	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.

Exhibit Number:	Exhibit Title
10.13*	2005 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated October 14, 2005.
10.14*	Form of Stock Grant Agreement for 2005 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated October 14, 2005.
10.15*	Form of Notice of Stock Option Grant and Stock Option Agreement for 2005 Stock Incentive Plan, incorporated herein by reference to Exhibit 10.66 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 28, 2006.
10.16*	Form of Stock Unit Agreement for 2005 Stock Incentive Plan, incorporated herein by reference to Exhibit 10.67 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 28, 2006.
10.17*	Form of Stock Appreciation Right Agreement for 2005 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.5 to the Registrant's Current Report on Form 8-K dated October 14, 2005.
10.20	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.
10.21*	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.
10.22*	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.
10.23*	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.
10.24*	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.
10.25*	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.
10.26	Stock Purchase Agreement by and among the Registrant, Lifecore Biomedical, Inc., Lifecore Biomedical, LLC and Warburg Pincus Private Equity IX, L.P., dated April 30, 2010, incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated May 5, 2010.
10.27	Credit Agreement by and between Lifecore Biomedical, LLC and Wells Fargo Bank, N.A. dated April 30, 2010, incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated May 5, 2010.
10.28	Continuing Guaranty Agreement by and between the Registrant and Wells Fargo Bank, N.A., dated April 30, 2010, incorporated herein by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated May 5, 2010.
10.29	Amendment No. 1 to the Credit Agreement by and between Lifecore Biomedical, LLC and Wells Fargo Bank, N.A. dated August 9, 2010.

Exhibit Number:	Exhibit Title
10.30	Amended and Restated License, Supply and R&D Agreement dated November 27, 2009 by and among the Registrant, Landec Ag, LLC and Monsanto Company, incorporated by reference to Exhibit 10.25 to the Registrant's Current Report on Form 8-K dated December 3, 2009.
10.31	Amendment No. 2 to the Credit Agreement by and between Lifecore Biomedical, LLC and Wells Fargo Bank, N.A. dated September14, 2010, incorporated herein by reference to Exhibit 10.32 to the Registrant's Current Report on Form 10-Q for the fiscal quarter ended August 29, 2010.
10.32	Share Purchase Agreement, dated February 15, 2011, by and between Apio, Inc. and Windset Holdings 2010 Ltd., incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated February 18, 2011.
10.33*	2013 Cash Bonus Plan, incorporated herein by reference to the Registrant's Current Report on Form 8-K dated July 20, 2012.
10.34	Stock Purchase Agreement by and among Apio, Inc., GreenLine Holding Company and 2003 Riverside Capital Appreciation Fund, L.P., dated April 23, 2012, incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated April 27, 2012.
10.35	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.
10.36	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.
10.37	Long-Term Incentive Plan, incorporated herein by reference to the Registrant's Current Report on Form 8-K dated July 31, 2013.
10.38	Employment Agreement between the Registrant and Gregory S. Skinner effective as of January 1, 2013, incorporated herein by reference to Exhibit 10.37 to the Registrant's Current Report on Form 8-K dated December 10, 2012.
10.39+	Nonqualified Deferred Compensation Plan
21.1	Subsidiaries of the Registrant at May 26, 2013 — State of Incorporation Apio, Inc. — Delaware Lifecore Biomedical, Inc. — Delaware
23.1+	Consent of Independent Registered Public Accounting Firm
24.1+	Power of Attorney – See signature page
31.1+	CEO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
31.2+	CFO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1+	CEO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002

Financials

Exhibit Number:	Exhibit Title
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 6, 2013.

LANDEC CORPORATION

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

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Gary T. Steele 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/ Gary T. Steele Gary T. Steele	President and Chief Executive Officer and Director (Principal Executive Officer)	August 6, 2013
/s/ Gregory S. Skinner Gregory S. Skinner	Vice President of Finance and Administration and Chief Financial Officer (Principal Financial and Accounting Officer)	August 6, 2013
/s/ Nicholas Tompkins Nicholas Tompkins	Chairman of the Board of Apio, Inc. and Director	August 6, 2013
/s/ Robert Tobin Robert Tobin	Director	August 6, 2013
/s/ Duke K. Bristow, Ph.D Duke K. Bristow, Ph.D	Director	August 6, 2013
/s/ Frederick Frank Frederick Frank	Director	August 6, 2013
/s/ Stephen E. Halprin Stephen E. Halprin	Director	August 6, 2013
/s/ Steven Goldby Steven Goldby	Director	August 6, 2013
/s/ Richard Dean Hollis Richard Dean Hollis	Director	August 6, 2013
/s/ Catherine A. Sohn Catherine A. Sohn	Director	August 6, 2013
/s/ Tonia Pankopf Tonia Pankopf	Director	August 6, 2013

EXHIBIT INDEX

Exhibit Number	Exhibit Title
10.39	Nonqualified Deferred Compensation Plan
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.

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Corporate Directory

BOARD OF DIRECTORS

Duke K. Bristow, Ph.D.
Economist,
Marshall School of Business at USC

Frederick Frank
Chairman,
Burrill Securities

Steven Goldby
Partner,
Venrock

Stephen Halprin
Retired General Partner,
OSCCO Ventures

Dean Hollis
Retired President and Chief Operating Officer,
ConAgra Foods

Tonia Pankopf
Managing Partner,
Pareto Advisors, LLC

Catherine A. Sohn
Retired Senior Executive,
GlaxoSmithKline (GSK)

Gary T. Steele
Chairman of the Board,
President and Chief Executive Officer
Landec Corporation

Robert Tobin
Retired CEO,
AHOLD USA

Nicholas Tompkins
Chairman of the Board,
Apio Inc.

CORPORATE MANAGEMENT

Gary T. Steele
Chairman of the Board,
President and Chief Executive Officer

Gregory S. Skinner
Vice President of Finance and
Administration and Chief Financial Officer

Molly A. Hemmeter
Vice President,
Chief Commercial Officer

Ronald L. Midyett
President and Chief Executive Officer,
Apio, Inc.

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

Ropes & Gray LLP
San Francisco, CA

SHAREHOLDERS' INFORMATION

Transfer Agent and Registrar
The stock transfer agent and registrar for Landec Corporation is Broadridge. Shareholders who wish to transfer their stock, or change the name in which the shares are registered, should contact:

Broadridge Corporate Issuer Solutions, Inc.
44 West Lancaster Ave.
Ardmore, PA 19003
Tel 610-649-7300
Fax 610-649-7302
www.shareholder.broadridge.com

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. Shareholders 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 official trademarks and service marks of the Landec Corporation and its subsidiaries:

Landec® | GreenLine®
Intelimer® | Lifecore®
Apio™ | Corgel® BioHydrogel
Clearly Fresh® | Lurocoat® Ophthalmic Viscoelastic
BreatheWay® | Ortholure™ Orthopedic Viscosupplement
Eat Smart® | Revitalure™
Cal Ex® | Smart Polymers to Fuel Innovation™

Windset Farms® is a registered trademark of Greenhouse Grown Foods Inc.

Innovations For Healthy Living

...Coming To A Store Near You

Landec Corporation

3603 Haven Avenue
Menlo Park, CA 94025
650.306.1650

Landec.com

LANDEC