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

**FORM 10-K/A**
**(Amendment No. 2)**

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

For the Fiscal Year Ended May 28, 2017, or

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

For the Transition period for _________ to _________.

Commission file number: **0-27446**

# LANDEC CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

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

| | | |
|---|---|---|
| Large Accelerated Filer ___ | Accelerated Filer X | Emerging Growth Company ___ |
| Non Accelerated Filer ___ | Smaller Reporting Company ___ | |

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

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

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

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

**DOCUMENTS INCORPORATED BY REFERENCE**

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

## Explanatory Note

We are filing this Amendment No. 2 (“Amendment No. 2”) to our Annual Report on Form 10-K for the fiscal year ended May 28, 2017, as filed with the Securities and Exchange Commission (the “SEC”) on August 10, 2017 (the “Original Form 10-K”), in order to include the entirety of Item 8, as amended, in this Amendment No. 2. On August 15, 2017, we filed Amendment No. 1 to the Original Form 10-K (“Amendment No. 1”) to correct a typographical error in the date of Ernst & Young LLP’s Report of Independent Registered Public Accounting Firm contained in the Original Form 10-K (the “Opinion”). Amendment No. 1 included a new Opinion with the correct date, but did not include the entirety of Item 8 “Financial Statements and Supplementary Data” from the Original Form 10-K. Based on comments received from the staff of the SEC, this Amendment No. 2 contains the entire Item 8 from the Original Form 10-K, including the corrected Opinion.

Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), this Amendment No. 2 also contains new certifications pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, which are filed as exhibits hereto.

Other than this date correction to the Opinion, no other changes have been made to any other portion of Item 8 of the Original Form 10-K, and no changes have been made to any portion of Item 8 of Amendment No. 1 filed on August 15, 2017. This Amendment No. 2 does not reflect subsequent events occurring after the original filing date of the Original Form 10-K or modify or update in any way disclosures made in the Original Form 10-K. This Amendment No. 2 should be read in conjunction with the Original Form 10-K.

## PART II

**Item 8.** ***Financial Statements and Supplementary Data***

See Item 15 of this report.

## PART IV

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

(a) 1. Consolidated Financial Statements of Landec Corporation


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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 36


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

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Landec Corporation

We have audited the accompanying consolidated balance sheets of Landec Corporation and subsidiaries as of May 28, 2017 and May 29, 2016, and the related consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended May 28, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Landec Corporation and subsidiaries at May 28, 2017 and May 29, 2016, and the consolidated results of their operations and their cash flows for each of the three years in the period ended May 28, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Landec Corporation and subsidiaries' internal control over financial reporting as of May 28, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 10, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California
August 10, 2017

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

| | May 28, 2017 | May 29, 2016 As Adjusted (1) |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 5,409 | $ 9,894 |
| Accounts receivable, less allowance for doubtful accounts | 47,083 | 46,406 |
| Inventories | 25,290 | 25,535 |
| Prepaid expenses and other current assets | 3,498 | 4,468 |
| Total Current Assets | 81,280 | 86,303 |
| | | |
| Investment in non-public company, fair value | 63,600 | 62,700 |
| Property and equipment, net | 133,220 | 120,880 |
| Goodwill, net | 54,779 | 49,620 |
| Trademarks/trade names, net | 16,028 | 14,428 |
| Customer relationships, net | 6,783 | 6,968 |
| Other assets | 2,918 | 1,754 |
| Total Assets | $ 358,608 | $ 342,653 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Accounts payable | $ 25,868 | $ 30,904 |
| Accrued compensation | 8,211 | 5,460 |
| Other accrued liabilities | 9,125 | 7,772 |
| Deferred revenue | 310 | 832 |
| Line of credit | 3,000 | 3,500 |
| Current portion of long-term debt, net | 4,940 | 7,873 |
| Total Current Liabilities | 51,454 | 56,341 |
| | | |
| Long-term debt, net | 42,299 | 45,972 |
| Capital lease obligation, less current portion | 3,731 | 3,804 |
| Deferred taxes, net | 24,581 | 22,442 |
| Other non-current liabilities | 8,391 | 1,744 |
| Total Liabilities | 130,456 | 130,303 |
| | | |
| Stockholders' Equity: | | |
| Common stock, $0.001 par value; 50,000,000 shares authorized; 27,499,155 and 27,148,096 shares issued and outstanding at May 28, 2017 and May 29, 2016, respectively | 27 | 27 |
| Additional paid-in capital | 141,680 | 137,244 |
| Retained earnings | 84,470 | 73,457 |
| Accumulated other comprehensive income | 432 | — |
| Total Stockholders' Equity | 226,609 | 210,728 |
| Non-controlling interest | 1,543 | 1,622 |
| Total Equity | 228,152 | 212,350 |
| Total Liabilities and Stockholders' Equity | $ 358,608 | $ 342,653 |

(1) Derived from audited financial statements. See Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies for discussion of accounting guidance adopted during the period.

*See accompanying notes.*

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

| | Year Ended | | |
|---|---|---|---|
| | May 28, 2017 | May 29, 2016 | May 31, 2015 |
| Product sales | $ 532,257 | $ 541,099 | $ 539,257 |
| Cost of product sales | 449,071 | 470,142 | 473,850 |
| Gross profit | 83,186 | 70,957 | 65,407 |
| Operating costs and expenses: | | | |
| Research and development | 9,473 | 7,228 | 6,988 |
| Selling, general and administrative | 55,628 | 49,515 | 39,958 |
| Legal settlement charge | 2,580 | — | — |
| Impairment of GreenLine trade name | — | 34,000 | — |
| Total operating costs and expenses | 67,681 | 90,743 | 46,946 |
| Operating income (loss) | 15,505 | (19,786) | 18,461 |
| Dividend income | 1,650 | 1,650 | 1,417 |
| Interest income | 16 | 71 | 315 |
| Interest expense, net | (1,826) | (1,987) | (1,829) |
| Loss on debt refinancing | (1,233) | — | — |
| Other income | 900 | 1,200 | 3,107 |
| Net income (loss) before taxes | 15,012 | (18,852) | 21,471 |
| Income tax (expense) benefit | (4,335) | 7,404 | (7,746) |
| Consolidated net income (loss) | 10,677 | (11,448) | 13,725 |
| Non-controlling interest expense | (87) | (193) | (181) |
| Net income (loss) applicable to common stockholders | $ 10,590 | $ (11,641) | $ 13,544 |
| Basic net income (loss) per share | $ 0.39 | $ (0.43) | $ 0.50 |
| Diluted net income (loss) per share | $ 0.38 | $ (0.43) | $ 0.50 |
| Shares used in per share computation | | | |
| Basic | 27,276 | 27,044 | 26,884 |
| Diluted | 27,652 | 27,044 | 27,336 |
| Other comprehensive income, net of tax: | | | |
| Change in net unrealized gains on interest rate swap (net of tax effect of $254, $0, and $0) | $ 432 | $ — | $ — |
| Other comprehensive income, net of tax | 432 | — | — |
| Total comprehensive income (loss) | $ 11,022 | $ (11,641) | $ 13,544 |

*See accompanying notes.*

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

| | Common Stock | | Additional Paid-in | Retained | Accumulated Other Comprehensive | Total Stockholders' | Non-controlling |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Earnings | Income | Equity | Interest |
| Balance at May 25, 2014 | 26,815 | $ 27 | $ 131,488 | $ 71,554 | $ — | $ 203,069 | $ 1,692 |
| Issuance of common stock at $5.63 to $8.19 per share, net of taxes paid by Landec on behalf of employees | 103 | — | 122 | — | — | 122 | — |
| Issuance of common stock for vested restricted stock units ("RSUs") | 72 | — | — | — | — | — | — |
| Taxes paid by Company for stock swaps and RSUs | — | — | (343) | — | — | (343) | — |
| Stock-based compensation | — | — | 1,577 | — | — | 1,577 | — |
| Tax benefit from stock-based compensation expense | — | — | 463 | — | — | 463 | — |
| Payments to non-controlling interest ("NCI") | — | — | — | — | — | — | (196) |
| Net and comprehensive income | — | — | — | 13,544 | — | 13,544 | 181 |
| Balance at May 31, 2015 | 26,990 | 27 | 133,307 | 85,098 | — | 218,432 | 1,677 |
| Issuance of common stock at $5.63 to $9.01 per share, net of taxes paid by Landec on behalf of employees | 125 | — | 322 | — | — | 322 | — |
| Issuance of common stock for vested RSUs | 33 | — | — | — | — | — | — |
| Stock-based compensation | — | — | 3,465 | — | — | 3,465 | — |
| Tax benefit from stock-based compensation expense | — | — | 150 | — | — | 150 | — |
| Payments to NCI | — | — | — | — | — | — | (248) |
| Net and comprehensive loss | — | — | — | (11,641) | — | (11,641) | 193 |
| Balance at May 29, 2016 | 27,148 | 27 | 137,244 | 73,457 | — | 210,728 | 1,622 |
| Cumulative-effect adjustment - ASU 2016-09 adoption (1) | — | — | 200 | 423 | — | 623 | — |
| Issuance of common stock at $5.63 to $11.36 per share, net of taxes paid by Landec on behalf of employees | 244 | — | 706 | — | — | 706 | — |
| Issuance of common stock for vested RSUs | 107 | — | — | — | — | — | — |
| Taxes paid by Company for stock swaps and RSUs | — | — | (434) | — | — | (434) | — |
| Stock-based compensation | — | — | 3,964 | — | — | 3,964 | — |
| Payments to NCI | — | — | — | — | — | — | (166) |
| Net income | — | — | — | 10,590 | — | 10,590 | 87 |
| Other comprehensive income, net of tax | — | — | — | — | 432 | 432 | — |
| Balance at May 28, 2017 | 27,499 | $ 27 | $ 141,680 | $ 84,470 | $ 432 | $ 226,609 | $ 1,543 |

(1) See Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies for a discussion of accounting guidance adopted during the period.

*See accompanying notes.*

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

| | Year Ended | | |
|---|---|---|---|
| | May 28, 2017 | May 29, 2016 As Adjusted (1) | May 31, 2015 As Adjusted (1) |
| Cash flows from operating activities: | | | |
| Consolidated net income (loss) | $ 10,677 | $ (11,448) | $ 13,725 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 10,677 | 9,395 | 7,090 |
| Stock-based compensation expense | 3,964 | 3,465 | 1,577 |
| Loss on early debt extinguishment | 1,233 | — | — |
| Deferred taxes | 2,506 | (9,787) | 4,152 |
| Change in investment in non-public company, fair value | (900) | (1,200) | (3,900) |
| Net loss (gain) on disposal of property and equipment | 586 | 46 | (90) |
| Impairment of GreenLine trade name | — | 34,000 | — |
| Impairment of non-public company, non-fair value investment | — | — | 793 |
| Changes in assets and liabilities: | | | |
| Accounts receivable, net | (336) | 73 | (1,754) |
| Inventories | 855 | (508) | (292) |
| Prepaid expenses and other current assets | 1,039 | 965 | 177 |
| Accounts payable | (5,189) | (4,105) | 2,894 |
| Accrued compensation | 2,751 | (1,282) | 2,646 |
| Other accrued liabilities | 2,086 | 2,556 | 11 |
| Restricted cash collateral | (100) | (225) | — |
| Deferred revenue | (522) | (11) | (411) |
| Net cash provided by operating activities | 29,327 | 21,934 | 26,618 |
| | | | |
| Cash flows from investing activities: | | | |
| Purchases of property and equipment | (22,592) | (40,867) | (17,511) |
| Acquisition of O Olive (Note 2) | (2,500) | — | — |
| Deposit on capital lease | — | (850) | — |
| Proceeds from sales of fixed assets | 81 | 127 | 1,071 |
| Investment in non-public company, fair value | — | — | (18,000) |
| Net cash used in investing activities | (25,011) | (41,590) | (34,440) |
| | | | |
| Cash flows from financing activities: | | | |
| Proceeds from sale of common stock | 706 | 322 | 122 |
| Taxes paid by Company for stock swaps and RSUs | (434) | — | (343) |
| Net change in other assets/liabilities | (41) | (247) | (24) |
| Proceeds from long term debt | 50,000 | 26,748 | 15,014 |
| Payments on long term debt | (57,236) | (14,652) | (6,867) |
| Proceeds from lines of credit | 4,500 | 26,100 | 30,417 |
| Payments on lines of credit | (5,000) | (22,600) | (30,417) |
| Payments for debt issuance costs | (897) | — | — |
| Payments for early debt extinguishment penalties | (233) | — | — |
| Payments to non-controlling interest. | (166) | (248) | (196) |
| Net cash (used in) provided by financing activities | (8,801) | 15,423 | 7,706 |
| Net decrease in cash and cash equivalents | (4,485) | (4,233) | (116) |
| Cash and cash equivalents at beginning of year | 9,894 | 14,127 | 14,243 |
| Cash and cash equivalents at end of year | $ 5,409 | $ 9,894 | $ 14,127 |
| | | | |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid during the period for interest | $ 2,332 | $ 2,017 | $ 1,994 |
| Cash paid during the period for income taxes, net of refunds received | $ 2,792 | $ 2,625 | $ 150 |
| | | | |
| Supplemental disclosure of non-cash investing and financing activities: | | | |
| Facility and equipment acquired under a capital lease | $ — | $ 3,908 | $ — |

(1) See Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies for a discussion of accounting principles adopted during the period.

*See accompanying notes.*

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

**Basis of Presentation and Consolidation**

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

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

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

**Summary of Significant Accounting Policies**

**Use of Estimates**

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

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

**Concentrations of Risk**

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

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

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

During the fiscal year ended May 28, 2017, sales to the Company's top five customers accounted for approximately 44% of total revenue with the top two customers from the Packaged Fresh Vegetables segment, Costco ("Costco") and Wal-mart, Inc. ("Wal-mart") accounting for approximately 18% and 14%, respectively, of total revenues. In addition, approximately 30% of the Company's total revenues were derived from product sales to international customers, none of which individually accounted for more than 5% of total revenues. As of May 28, 2017, the top two customers, Costco and Wal-mart represented approximately 12% and 17%, respectively, of total accounts receivable.

During the fiscal year ended May 29, 2016, sales to the Company's top five customers accounted for approximately 45% of total revenue with the top two customers from the Packaged Fresh Vegetables segment, Costco and Wal-mart accounting for approximately 20% and 12%, respectively, of total revenues. In addition, approximately 31% of the Company's total revenues were derived from product sales to international customers, none of which individually accounted for more than 5% of total revenues. As of May 29, 2016, the top two customers, Costco and Wal-mart represented approximately 13% and 15%, respectively, of total accounts receivable.

**Impairment of Long-Lived Assets**

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

**Financial Instruments**

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

*Cash Flow Hedges*

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

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

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

| | Unrealized Gains on Cash Flow Hedge |
|---|---|
| Balance as of May 29, 2016 | $ — |
| Other comprehensive income before reclassifications, net of tax effect | 432 |
| Amounts reclassified from OCI | — |
| Other comprehensive income, net | 432 |
| Balance as of May 28, 2017 | $ 432 |

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

Based on these assumptions, management believes the fair market values of the Company's financial instruments are not significantly different from their recorded amounts as of May 28, 2017 and May 29, 2016.

**Accounts Receivable and Sales Returns and Allowance for Doubtful Accounts**

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

| | Balance at beginning of period | Adjustments charged to revenue and expenses | Write offs, net of recoveries | Balance at end of period |
|---|---|---|---|---|
| Year Ended May 31, 2015 | $ 516 | $ — | $ (134) | $ 382 |
| Year Ended May 29, 2016 | $ 382 | $ 63 | $ (110) | $ 335 |
| Year Ended May 28, 2017 | $ 335 | $ 519 | $ (453) | $ 401 |

**Revenue Recognition**

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

Apio's Packaged Fresh Vegetables revenues generally consist of revenues generated from the sale of specialty packaged fresh-cut and whole value-added vegetable products that are generally washed and packaged in Apio's proprietary packaging and sold under Apio's Eat Smart and GreenLine brands and various private labels. Revenue is generally recognized upon shipment of these products to customers. The Company takes title to all produce it trades and/or packages, and therefore, records revenues and cost of sales at gross amounts in the Consolidated Statements of Comprehensive Income (Loss).

In addition, Packaged Fresh Vegetables revenues include the revenues generated from Apio Cooling, LP, a vegetable cooling operation in which Apio is the general partner with a 60% ownership position, and from the sale of BreatheWay® packaging to license partners. Revenue is recognized on the vegetable cooling operations as cooling and storage services are provided to Apio's customers. Sales of BreatheWay packaging are recognized when shipped to Apio's customers.

Apio's Food Export revenues consist of revenues generated from the purchase and sale of primarily whole commodity fruit and vegetable products to Asia through its subsidiary, Cal-Ex Trading Company ("Cal-Ex"). As most Cal-Ex customers are in countries outside of the U.S., title transfers and revenue is generally recognized upon arrival of the shipment in the foreign port. Apio records revenue equal to the sale price to third parties because it takes title to the product while in transit.

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

Lifecore's business development revenues, a portion of which are included in all three medical areas, are related to contract research and development ("R&D") services and multiple element arrangement services with customers where the Company provides products and/or services in a bundled arrangement.

Contract R&D revenue is recorded as earned, based on the performance requirements of the contract. Non-refundable contract fees for which no further performance obligations exist, and there is no continuing involvement by the Company, are recognized on the earlier of when the payment is received or collection is assured.

For sales arrangements that contain multiple elements, the Company splits the arrangement into separate units of accounting if the individually delivered elements have value to the customer on a standalone basis. The Company also evaluates whether multiple transactions with the same customer or related party should be considered part of a multiple element arrangement, whereby the Company assesses, among other factors, whether the contracts or agreements are negotiated or executed within a short time frame of each other or if there are indicators that the contracts are negotiated in contemplation of each other. The Company then allocates revenue to each element based on a selling price hierarchy. The relative selling price for a deliverable is based on its vendor-specific objective evidence ("VSOE"), if available, third-party evidence ("TPE"), if VSOE is not available, or estimated selling price, if neither VSOE nor TPE is available. The Company then recognizes revenue on each deliverable in accordance with its policies for product and service revenue recognition. The Company is not typically able to determine VSOE or TPE, and therefore, uses the estimated selling price to allocate revenue between the elements of an arrangement.

The Company limits the amount of revenue recognition for delivered elements to the amount that is not contingent on the future delivery of products or services or future performance obligations or subject to customer-specific cancellation rights. The Company evaluates each deliverable in an arrangement to determine whether it represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has stand-alone value, and for an arrangement that includes a general right of return relative to the delivered products or services, delivery or performance of the undelivered product or service is considered probable and is substantially controlled by the Company. The Company considers a deliverable to have stand-alone value if the product or service is sold separately by the Company or another vendor or could be resold by the customer. Further, the revenue arrangements generally do not include a general right of return relative to delivered products. Where the aforementioned criteria for a separate unit of accounting are not met, the deliverable is combined with the undelivered element(s) and treated as a single unit of accounting for the purposes of allocation of the arrangement consideration and revenue recognition. The Company allocates the total arrangement consideration to each separable element of an arrangement based upon the relative selling price of each element. Allocation of the consideration is determined at arrangement inception on the basis of each unit's relative selling price. In instances where the Company has not established fair value for any undelivered element, revenue for all elements is deferred until delivery of the final element is completed and all recognition criteria are met.

For licensing revenue, the initial license fees are deferred and amortized to revenue over the period of the agreement when a contract exists, the fee is fixed and determinable, and collectability is reasonably assured. Noncancellable, nonrefundable license fees are recognized over the period of the agreement, including those governing research and development activities and any related supply agreement entered into concurrently with the license when the risk associated with commercialization of a product is non-substantive at the outset of the arrangement.

From time to time, the Company offers customers sales incentives, which include volume rebates and discounts. These amounts are estimated on a quarterly basis and recorded as a reduction of revenue.

A summary of revenues by type of arrangement as described above is as follows (in thousands):

| | Year Ended | | |
|---|---|---|---|
| | May 28, 2017 | May 29, 2016 | May 31, 2015 |
| Recorded upon shipment | $ 456,512 | $ 458,985 | $ 465,848 |
| Recorded upon acceptance in foreign port | 62,481 | 64,181 | 67,714 |
| Revenue from multiple element arrangements | 8,431 | 13,400 | 4,253 |
| Revenue from license fees, R&D contracts and royalties/profit sharing | 4,833 | 4,533 | 1,806 |
| Total | $ 532,257 | $ 541,099 | $ 539,257 |

**Shipping and Handling Costs**

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

**Other Accounting Policies and Disclosures**

**Cash and Cash Equivalents**

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

**Inventories**

Inventories are stated at the lower of cost (using the first-in, first-out method) or net realizable value. As of May 28, 2017 and May 29, 2016 inventories consisted of (in thousands):

| | Year Ended | |
|---|---|---|
| | May 28, 2017 | May 29, 2016 |
| Finished goods | $ 11,685 | $ 12,165 |
| Raw materials | 10,158 | 9,855 |
| Work in progress | 3,447 | 3,515 |
| Total inventories | $ 25,290 | $ 25,535 |

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

**Advertising Expense**

Advertising expenditures for the Company are expensed as incurred. Advertising expense for the Company for fiscal years 2017, 2016, and 2015 was $1.9 million, $2.1 million and $1.3 million, respectively.

**Notes and Advances Receivable**

Apio issues notes and makes advances to produce growers for their crop and harvesting costs primarily for the purpose of sourcing crops for Apio's business. Notes and advances receivable are generally recovered during the growing season (less than one year) using proceeds from the crops sold to Apio. Notes are interest bearing obligations, evidenced by contracts and notes receivable. These notes and advances receivable are secured by perfected liens on crops, have terms that range from three to nine months, and are reviewed at least quarterly for collectability. A reserve is established for any note or advance deemed to not be fully collectible based upon an estimate of the crop value or the fair value of the security for the note or advance. Notes or advances outstanding at May 28, 2017 and May 29, 2016 were $1.0 million and $2.3 million, respectively and are recorded in prepaid expenses and other current assets in the accompanying Consolidated Balance Sheets.

**Related Party Transactions**

The Company sold products to and earned license fees from Windset during the last three fiscal years. During fiscal years 2017, 2016, and 2015, the Company recognized revenues of $514,000, $666,000, and $537,000, respectively. These amounts have been included in product sales in the accompanying Consolidated Statements of Comprehensive Income (Loss), from the sale of products to and license fees from Windset. The related receivable balances of $388,000 and $523,000 from Windset are included in accounts receivable in the accompanying Consolidated Balance Sheets as of May 28, 2017 and May 29, 2016, respectively.

Additionally, unrelated to the revenue transactions above, the Company purchases produce from Win dset for sale to third parties. During fiscal years 2017, 2016, and 2015, the Company recognized cost of product sales of $22,000, $32,000, and $1.6 million, respectively, in the accompanying Consolidated Statements of Comprehensive Income (Loss), from the sale of products purchased from Windset. The related accounts payable of $22,000 and zero to Windset are included in accounts payable in the accompanying Consolidated Balance Sheets as of May 28, 2017 and May 29, 2016, respectively.

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

**Property and Equipment**

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

The Company capitalizes software development costs for internal use in accordance with accounting guidance. Capitalization of software development costs begins in the application development stage and ends when the asset is placed into service. The Company amortizes such costs on a straight-line basis over estimated useful lives of three to seven years. During fiscal years 2017, 2016, and 2015, the Company capitalized $2.2 million, $174,000, and $509,000 in software development costs, respectively.

**Long-Lived Assets**

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

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

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

During fiscal year 2016, the Company recorded an impairment charge of $34.0 million related to discontinued use of the GreenLine trade name for non-food service customers. There were no impairments of intangible assets in fiscal year 2017.

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

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

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

As of February 27, 2017, the Company tested its goodwill for impairment and determined that no indication of impairment existed as of that date. As a result, it was not necessary to perform the quantitative goodwill impairment test at that time. Subsequent to the 2017 annual impairment test, there have been no significant events or circumstances affecting the valuation of goodwill that indicate a need for goodwill to be further tested for impairment. There were no impairment losses for goodwill during fiscal years 2017, 2016, and 2015.

**Investment in Non-Public Company**

On February 15, 2011, the Company made an investment in Windset which is reported as an investment in non-public company, fair value, in the accompanying Consolidated Balance Sheets as of May 28, 2017 and May 29, 2016. The Company has elected to account for its investment in Windset under the fair value option. See Note 3 – Investment in Non-public Company for further information.

**Partial Self-Insurance on Employee Health and Workers Compensation Plans**

The Company provides health insurance benefits to eligible employees under self-insured plans whereby the Company pays actual medical claims subject to certain stop loss limits and self-insures its workers compensation claims. The Company records self-insurance liabilities based on actual claims filed and an estimate of those claims incurred but not reported. Any projection of losses concerning the Company's liability is subject to a high degree of variability. Among the causes of this variability are unpredictable external factors such as inflation rates, changes in severity, benefit level changes, medical costs, and claims settlement patterns. This self-insurance liability is included in accrued liabilities in the accompanying Consolidated Balance Sheets and represents management's best estimate of the amounts that have not been paid as of May 28, 2017. It is reasonably possible that the expense the Company ultimately incurs could differ and adjustments to future reserves may be necessary.

**Deferred Revenue**

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

**Non-Controlling Interest**

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

In connection with the acquisition of Apio, Landec acquired Apio's 60% general partner interest in Apio Cooling, a California limited partnership. Apio Cooling is included in the consolidated financial statements of Landec for all periods presented. The non-controlling interest balances are comprised of the non-controlling limited partners' interest in Apio Cooling.

**Income Taxes**

The Company accounts for income taxes in accordance with accounting guidance which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax basis of recorded assets and liabilities. The Company maintains valuation allowances when it is likely that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in the Company's income tax provision in the period of change. In determining whether a valuation allowance is warranted, the Company takes into account such factors as prior earnings history, expected future earnings, unsettled circumstances that, if unfavorably resolved, would adversely affect utilization of a deferred tax asset, carryback and carryforward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset. At May 28, 2017, the Company had a $1.3 million valuation allowance against its deferred tax assets.

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

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

**Per Share Information**

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

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

| | Year Ended | | |
|---|---|---|---|
| | May 28, 2017 | May 29, 2016 | May 31, 2015 |
| Numerator: | | | |
| Net income (loss) applicable to Common Stockholders | $ 10,590 | $ (11,641) | $ 13,544 |
| | | | |
| Denominator: | | | |
| Weighted average shares for basic net income (loss) per share | 27,276 | 27,044 | 26,884 |
| Effect of dilutive securities: | | | |
| Stock options and restricted stock units | 376 | — | 452 |
| Weighted average shares for diluted net income (loss) per share | 27,652 | 27,044 | 27,336 |
| | | | |
| Diluted net income (loss) per share | $ 0.38 | $ (0.43) | $ 0.50 |

Options to purchase 1,428,272 and 371,115 shares of Common Stock at a weighted average exercise price of $13.58 and $14.02 per share were outstanding during fiscal years ended May 28, 2017 and May 31, 2015, respectively, but were not included in the computation of diluted net income per share because the options' exercise price were greater than the average market price of the Common Stock and, therefore, their inclusion would be antidilutive.

Due to the Company's net loss for fiscal year 2016, the net loss per share includes only weighted average shares outstanding and thus excludes 1.6 million of outstanding options and RSUs as such impacts would be antidilutive for fiscal year 2016.

**Cost of Sales**

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

**Research and Development Expenses**

Costs related to both research and development contracts and Company-funded research is included in research and development expenses. Research and development costs are primarily comprised of salaries and related benefits, supplies, travel expenses, consulting expenses and corporate allocations.

**Accounting for Stock-Based Compensation**

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

The following table summarizes the stock-based compensation for options and RSUs (in thousands):

| | Year Ended | | |
|---|---|---|---|
| | May 28, 2017 | May 29, 2016 | May 31, 2015 |
| Options | $ 1,230 | $ 1,352 | $ 561 |
| RSUs | 2,734 | 2,113 | 1,016 |
| Total stock-based compensation | $ 3,964 | $ 3,465 | $ 1,577 |

The following table summarizes the stock-based compensation by income statement line item (in thousands):

| | Year Ended | | |
|---|---|---|---|
| | May 28, 2017 | May 29, 2016 | May 31, 2015 |
| Cost of sales | $ 485 | $ 405 | $ 142 |
| Research and development | 83 | 90 | 16 |
| Selling, general and administrative | 3,396 | 2,970 | 1,419 |
| Total stock-based compensation | $ 3,964 | $ 3,465 | $ 1,577 |

The estimated fair value for stock options, which determines the Company's calculation of stock-based compensation expense, is based on the Black-Scholes option pricing model. RSUs are valued at the closing market price of the Company's common stock on the date of grant. The Company uses the straight-line single option method to calculate and recognize the fair value of stock-based compensation arrangements.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the expected stock price volatility and expected life of option awards, which have a significant impact on the fair value estimates. As of May 28, 2017, May 29, 2016 and May 31, 2015, the fair value of stock option grants was estimated using the following weighted average assumptions:

| | Year Ended | | |
|---|---|---|---|
| | May 28, 2017 | May 29, 2016 | May 31, 2015 |
| Expected life (in years) | 3.50 | 3.38 | 3.25 |
| Risk-free interest rate | 1.08% | 1.09% | 1.00% |
| Volatility | 26% | 31% | 32% |
| Dividend yield | 0% | 0% | 0% |

The weighted average estimated fair value of Landec employee stock options granted at grant date market prices during the fiscal years ended May 28, 2017, May 29, 2016 and May 31, 2015 was $2.37, $2.85 and $3.42 per share, respectively. No stock options were granted above or below grant date market prices during the fiscal years ended May 28, 2017, May 29, 2016 and May 31, 2015.

**Fair Value Measurements**

The Company uses fair value measurement accounting for financial assets and liabilities and for financial instruments and certain other items measured at fair value. The Company has elected the fair value option for its investment in a non-public company. See Note 3 – Investment in Non-public Company for further information. The Company has not elected the fair value option for any of its other eligible financial assets or liabilities.

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

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

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

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

As of May 28, 2017, the Company held certain assets that were required to be measured at fair value on a recurring basis, including its interest rate swap and its minority interest investment in Windset.

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

The Company has elected the fair value option of accounting for its investment in Windset. The calculation of fair value utilizes significant unobservable inputs, including projected cash flows, growth rates, and discount rates. As a result, the Company's investment in Windset is considered to be a Level 3 measurement investment. The change in the fair value of the Company's investment in Windset for the twelve months ended May 28, 2017 was due to the Company's 26.9% minority interest in the change in the fair market value of Windset during the period. In determining the fair value of the investment in Windset, the Company utilizes the following significant unobservable inputs in the discounted cash flow models:

| | At May 28, 2017 | At May 29, 2016 |
|---|---|---|
| Revenue growth rates | 4% | 4% |
| Expense growth rates | 4% | 4% |
| Income tax rates | 15% | 15% |
| Discount rates | 12% | 12.5% |

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

| | Impact on value of investment in Windset as of May 28, 2017 |
|---|---|
| 10% increase in revenue growth rates | $ 6,900 |
| 10% increase in expense growth rates | $ (1,900) |
| 10% increase in income tax rates | $ (600) |
| 10% increase in discount rates | $ (4,500) |

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

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

| | Fair Value at May 28, 2017 | | | Fair Value at May 29, 2016 | | |
|---|---|---|---|---|---|---|
| Assets: | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Interest rate swap (1) | $ — | $ 688 | $ — | $ — | $ — | $ — |
| Investment in non-public company | — | — | 63,600 | — | — | 62,700 |
| Total | $ — | $ 688 | $ 63,600 | $ — | $ — | $ 62,700 |

(1) Recorded in Other assets.

## Recent Accounting Pronouncements

***Recently Adopted Pronouncements***

*Statement of Cash Flows*

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

*Debt Issuance Costs*

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

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

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

*Stock-Based Compensation*

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

The Company elected to early adopt the new guidance during its first fiscal quarter ended August 28, 2016. Accordingly, the primary effects of the adoption are as follows: (1) using a modified retrospective application, the Company recorded unrecognized excess tax benefits of $549,000 as a cumulative-effect adjustment, which increased retained earnings, and reduced deferred taxes by the same, (2) using a modified retrospective application, the Company has elected to recognize forfeitures as they occur and recorded a $200,000 increase to additional paid-in capital, a $126,000 reduction to retained earnings, and a $74,000 reduction to deferred taxes to reflect the incremental stock-based compensation expense, net of the related tax impacts, that would have been recognized in prior years under the modified guidance, and (3) $150,000 and $463,000 in excess tax benefits from stock-based compensation was reclassified from cash flows from financing activities to cash flows from operating activities for the fiscal years ended May 29, 2016 and May 31, 2015, respectively, in the Consolidated Statements of Cash Flows. See Note 8 – Income Taxes for further information regarding additional effects related to the prospective application of excess tax benefits and tax deficiencies related to stock-based compensation on the Company's financial statements.

*Goodwill Impairment*

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

***Recently Issued Pronouncements to be Adopted***

*Revenue Recognition*

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

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

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

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

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

*Leases*

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

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

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

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

## 2. Acquisition of O Olive

On March 1, 2017, the Company purchased substantially all of the assets of O Olive for $2.5 million in cash plus contingent consideration of up to $7.5 million over the next three years based upon O Olive achieving certain earnings before interest, taxes, depreciation and amortization ("EBITDA") targets. O Olive, founded in 1995, is based in Petaluma, California, and produces specialty olive oils and wine vinegars. Its products are sold in natural food, conventional grocery and mass retail stores, primarily in the United States and Canada.

The potential earn out payment up to $7.5 million is based on O Olive's cumulative EBITDA over the Company's fiscal years 2018 through 2020. At the end of each fiscal year, beginning in fiscal year 2018, the former owners of O Olive will earn the equivalent of the EBITDA achieved by O Olive for that fiscal year up to $4.6 million over the three year period. The former owners can then earn an additional $2.9 million on a dollar for dollar basis for exceeding $6.0 million of cumulative EBITDA over the three year period. During the fourth quarter of fiscal year 2017, the Company performed, with the assistance of a third party appraiser, an analysis of O Olive's projected EBITDA over the next three years. Based on this analysis the Company recorded a $5.9 million liability as of May 28, 2017, representing the present value of the expected earn out payments. For this analysis, the Company assumed that the maximum earn out of $7.5 million would be paid over the three year period with over half being earned in fiscal year 2020.

The operating results of O Olive are included in the Company's financial statements beginning March 1, 2017, in the Other segment. Included in the Company's results for O Olive for the fiscal year 2017 was $773,000 revenues and a pre-tax loss of $231,000.

*Intangible Assets*

The Company identified two intangible assets in connection with the O Olive acquisition: trade names and trademarks valued at $1.6 million, which are considered to be indefinite life assets and therefore, will not be amortized; and customer base valued at $700,000 with an eleven year useful life. The trade name/trademark intangible asset was valued using the relief from royalty valuation method and the customer relationship intangible asset was valued using the excess earnings method.

*Goodwill*

The excess of the consideration transferred over the fair values assigned to the assets acquired and liabilities assumed was $5.2 million on the closing date, which represents the goodwill amount resulting from the acquisition which can be attributable to O Olive's long history, future prospects and the expected operating synergies with Apio's salad business and distribution and logistics capabilities. The Company will test goodwill for impairment on an annual basis or sooner, if indicators of impairment exist.

*Acquisition-Related Transaction Costs*

The Company recognized $159,000 of acquisition-related expenses that were expensed in the year ended May 28, 2017 and are included in selling, general and administrative expenses in the Consolidated Statements of Comprehensive Income (Loss) for the year ended May 28, 2017. These expenses included legal, accounting and tax service fees and appraisals fees.

## 3. Investment in Non-public Company

*Windset*

On February 15, 2011, Apio entered into a share purchase agreement (the "Windset Purchase Agreement") with Windset. Pursuant to the Windset Purchase Agreement, Apio purchased from Windset 150,000 Senior A preferred shares for $15 million and 201 common shares for $201. On July 15, 2014, Apio increased its investment in Windset by purchasing from the Newell Capital Corporation an additional 68 common shares and 51,211 junior preferred shares of Windset for $11 million. After this purchase, the Company's common shares represent a 26.9% ownership interest in Windset. The Senior A preferred shares yield a cash dividend of 7.5% annually. The dividend is payable within 90 days of each anniversary of the execution of the Windset Purchase Agreement . The non-voting junior preferred stock does not yield a dividend unless declared by the Board of Directors of Windset and no such dividend has been declared. Under the terms of the arrangement with Windset, the Company is entitled to designate one of five members on the Board of Directors of Windset.

On October 29, 2014, Apio further increased its investment in Windset by purchasing 70,000 shares of Senior B preferred shares for $7 million. The Senior B preferred shares pay an annual dividend of 7.5% on the amount outstanding at each anniversary date of the Windset Purchase Agreement. The Senior B preferred shares purchased by Apio have a put feature whereby Apio can sell back to Windset $1.5 million of shares on the first anniversary, an additional $2.75 million of shares on the second anniversary, and the remaining $2.75 million on the third anniversary. After the third anniversary, Apio may at any time put any or all of the shares not previously sold back to Windset.

The original Shareholders' Agreement between Apio and Windset included a put and call option (the "Put and Call Option"), which could be exercised on or after February 15, 2017 whereby Apio could have exercised the put to sell its common, Senior A preferred shares, and junior preferred shares to Windset, or Windset could have exercised the call to purchase those shares from Apio, in either case, at a price equal to 26.9% of the fair market value of Windset's common shares, plus the liquidation value of the preferred shares of $20.1 million ($15 million for the Senior A preferred shares and $5.1 million for the junior preferred shares). On March 15, 2017, the Company and Windset amended the Shareholders' Agreement by extending the terms of the original Put and Call Option to March 31, 2022.

The investment in Windset does not qualify for equity method accounting as the investment does not meet the criteria of in-substance common stock due to returns through the annual dividend on the non-voting senior preferred shares that are not available to the common stock holders. As the Put and Call option requires all of the various shares to be put or called in equal proportions, the Company has deemed that the investment, in substance, should be treated as a single security for purposes of accounting.

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

The Company recorded $1.7 million, $1.7 million and $1.4 million in dividend income for the fiscal years ended May 28, 2017, May 29, 2016 and May 31, 2015, respectively. The increase in the fair market value of the Company's investment in Windset for the fiscal years ended May 28, 2017, May 29, 2016 and May 31, 2015 was $900,000, $1.2 million and $3.9 million, respectively, and is included in other income in the accompanying Consolidated Statements of Comprehensive Income (Loss).

The Company also entered into an exclusive license agreement with Windset, which was executed in June 2010, prior to contemplation of Apio's investment in Windset.

## 4. Property and Equipment

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

| | Years of Useful Life | Year Ended May 28, 2017 | Year Ended May 29, 2016 |
|---|---|---|---|
| Land and buildings | 15 - 40 | $ 86,983 | $ 67,192 |
| Leasehold improvements | 3 - 20 | 1,190 | 1,620 |
| Computers, capitalized software, machinery, equipment and autos | 3 - 20 | 97,375 | 87,464 |
| Furniture and fixtures | 3 - 7 | 1,272 | 901 |
| Construction in process | | 6,811 | 17,677 |
| Gross property and equipment | | 193,631 | 174,854 |
| Less accumulated depreciation and amortization | | (60,411) | (53,974) |
| Net property and equipment | | $ 133,220 | $ 120,880 |

Depreciation and amortization expense for property and equipment for the fiscal years ended May 28, 2017, May 29, 2016 and May 31, 2015 was $9.6 million, $8.2 million and $6.2 million, respectively. Amortization related to capitalized leases, which is included in depreciation expense, was $135,000, $49,000, and zero for fiscal years ended May 28, 2017, May 29, 2016 and May 31, 2015, respectively. Amortization related to capitalized software was $414,000, $269,000, and $158,000 for fiscal years ended May 28, 2017, May 29, 2016 and May 31, 2015, respectively. The unamortized computer software costs as of May 28, 2017 and May 29, 2016 was $2.2 million and $865,000, respectively. Capitalized interest was $514,000, $487,000, and $45,000 for fiscal years ended May 28, 2017, May 29, 2016 and May 31, 2015, respectively.

## 5. Intangible Assets

The carrying amount of goodwill as of May 28, 2017, May 29, 2016 and May 31, 2015 was $35.5 million for the Packaged Fresh Vegetables segment, $13.9 million for the Biomaterials segment, $269,000 for the Food Export segment, and $5.2 million for the Other segment.

Other intangible assets consisted of the following (in thousands):

| | Trademarks and Trade names | Customer Relationships | Total |
|---|---|---|---|
| Balance as of May 25, 2014 | $ 48,428 | $ 8,720 | $ 57,148 |
| Amortization expense | — | (885) | (885) |
| Balance as of May 31, 2015 | 48,428 | 7,835 | 56,263 |
| Impairment during the period | (34,000) | — | (34,000) |
| Amortization expense | — | (867) | (867) |
| Balance as of May 29, 2016 | 14,428 | 6,968 | 21,396 |
| Additions during the period | 1,600 | 700 | 2,300 |
| Amortization expense | — | (885) | (885) |
| Balance as of May 28, 2017 | $ 16,028 | $ 6,783 | $ 22,811 |

Accumulated amortization of Trademarks and Trade names was $872,000 as of May 28, 2017 and May 29, 2016. Accumulated amortization of Customer Relationships as of May 28, 2017 and May 29, 2016 was $5.1 million and $4.2 million, respectively. Accumulated impairment loss was $38.8 million as of May 28, 2017 and May 29, 2016. Lifecore's Customer Relationships amount of $3.7 million is being amortized over 12 years, Apio's Customer Relationships amount of $7.5 million is being amortized over 13 years, and O Olive's Customer Relationships amount of $700,000 is being amortized over 11 years. The amortization expense for the next five fiscal years is estimated to be $949,000 per year.

## 6. Stockholders' Equity

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

### Convertible Preferred Stock

The Company has authorized two million shares of preferred stock, and as of May 28, 2017 has no outstanding preferred stock.

**Common Stock and Stock Option Plans**

At May 28, 2017, the Company had 2.2 million common shares reserved for future issuance under Landec equity incentive plans.

On October 10, 2013, following stockholder approval at the Annual Meeting of Stockholders of the Company, the 2013 Stock Incentive Plan (the “Plan”) became effective and replaced the Company’s 2009 Stock Incentive Plan. Employees (including officers), consultants and directors of the Company and its subsidiaries and affiliates are eligible to participate in the Plan.

The Plan provides for the grant of stock options (both nonstatutory and incentive stock options), stock grants, stock units and stock appreciation rights. Awards under the Plan will be evidenced by an agreement with the Plan participants and 2.0 million shares of the Company’s Common Stock (“Shares”) were initially available for award under the Plan. Under the Plan, no recipient may receive awards during any fiscal year that exceeds the following amounts: (i) stock options covering in excess of 500,000 Shares; (ii) stock grants and stock units covering in excess of 250,000 Shares in the aggregate; or (iii) stock appreciation rights covering more than 500,000 Shares. In addition, awards to non-employee directors are discretionary. However, a non-employee director may not be granted awards in excess of 30,000 Shares in the aggregate during any fiscal year. The exercise price of the options is the fair market value of the Company’s Common Stock on the date the options are granted. As of May 28, 2017, 1,736,729 options to purchase shares and restricted stock units (“RSUs”) were outstanding.

On October 15, 2009, following stockholder approval at the Annual Meeting of Stockholders of the Company, the 2009 Stock Incentive Plan (the “2009 Plan”) became effective and replaced the Company’s 2005 Stock Incentive Plan. Employees (including officers), consultants and directors of the Company and its subsidiaries and affiliates were eligible to participate in the 2009 Plan. The 2009 Plan provided for the grant of stock options (both nonstatutory and incentive stock options), stock grants, stock units and stock appreciation rights. Under the 2009 Plan, 1.9 million shares were initially available for awards and as of May 28, 2017, 344,168 options to purchase shares and RSUs were outstanding.

**Stock-Based Compensation Activity**

Activity under all Landec equity incentive plans is as follows:

| | | Restricted Stock Outstanding | | Stock Options Outstanding | |
|---|---|---|---|---|---|
| | RSUs and Options Available for Grant | Number of Restricted Shares | Weighted Average Grant Date Fair Value | Number of Stock Options | Weighted Average Exercise Price |
| Balance at May 25, 2014 | 2,000,000 | 149,300 | $ 13.17 | 1,215,860 | $ 8.45 |
| Granted | (1,118,857) | 324,357 | $ 13.97 | 794,500 | $ 14.20 |
| Awarded/Exercised | — | (79,219) | $ 11.57 | (205,419) | $ 6.55 |
| Forfeited | — | (1,667) | $ 14.30 | (2,223) | $ 14.30 |
| Plan shares expired | — | — | — | (66,000) | $ 11.32 |
| Balance at May 31, 2015 | 881,143 | 392,771 | $ 14.15 | 1,736,718 | $ 11.19 |
| Granted | (443,175) | 177,675 | $ 12.10 | 265,500 | $ 12.04 |
| Awarded/Exercised | — | (32,439) | $ 13.28 | (220,717) | $ 6.44 |
| Forfeited | 28,000 | (11,166) | $ 14.36 | (24,473) | $ 14.38 |
| Plan shares expired | — | — | — | (25,554) | $ 9.86 |
| Balance at May 29, 2016 | 465,968 | 526,841 | $ 13.51 | 1,731,474 | $ 11.90 |
| Granted | (370,522) | 130,522 | $ 13.37 | 240,000 | $ 11.58 |
| Awarded/Exercised | — | (130,508) | $ 13.42 | (357,639) | $ 5.93 |
| Forfeited | 59,793 | (17,500) | $ 12.46 | (42,293) | $ 12.16 |
| Plan shares expired | — | — | — | — | — |
| Balance at May 28 2017 | 155,239 | 509,355 | $ 13.53 | 1,571,542 | $ 13.20 |

Upon vesting of certain RSUs and the exercise of certain options during fiscal years 2017, 2016 and 2015, certain RSUs and exercised options were net share-settled to cover the required exercise price and withholding tax and the remaining amounts were converted into an equivalent number of shares of Common Stock. The Company withheld shares with value equivalent to the exercise price for options and the employees' minimum statutory obligation for the applicable income and other employment taxes, and remitted the cash to the appropriate taxing authorities. The total shares withheld for fiscal years 2017, 2016 and 2015 were 137,089, 95,550 and 112,443 RSUs and options, respectively, which was based on the value of the option and/or RSUs on their exercise or vesting date as determined by the Company's closing stock price.

Total payments for employees' tax obligations to the taxing authorities during fiscal years 2017, 2016 and 2015 were approximately $434,000, zero and $343,000, respectively. These net-share settlements had the effect of share repurchases by the Company as they reduced and retired the number of shares that would have otherwise have been issued as a result of the vesting and did not represent an expense to the Company.

The following table summarizes information concerning stock options outstanding and exercisable at May 28, 2017:

| | Options Outstanding | | | | Options Exercisable | | |
|---|---|---|---|---|---|---|---|
| Range of Exercise Prices | Number of Shares Outstanding | Weighted Average Remaining Contractual Life (in years) | Weighted Average Exercise Price | Aggregate Intrinsic Value | Number of Shares Exercisable | Weighted Average Exercise Price | Aggregate Intrinsic Value |
| $5.77 - $14.39 | 1,571,542 | 4.68 | $ 13.20 | $ 1,362,499 | 1,021,097 | $ 13.40 | $ 752,758 |

At May 28, 2017 and May 29, 2016 options to purchase 1,021,097 and 963,833 shares of Landec's Common Stock were vested, respectively, and 550,445 and 767,641 were unvested, respectively. No options have been exercised prior to being vested. The aggregate intrinsic value in the table above represents the total pretax intrinsic value, based on the Company's closing stock price of $13.65 on May 28, 2017, which would have been received by holders of stock options had all holders of stock options exercised their stock options that were in-the-money as of that date. The total number of in-the-money stock options exercisable as of May 28, 2017, was 314,091 shares. The aggregate intrinsic value of stock options exercised during the fiscal year 2017 was $2.8 million.

**Option Awards**

| | Outstanding Options | Weighted Average Exercise Price | Weighted Average Remaining Contract Term (in years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Vested | 1,021,097 | $ 13.40 | 4.18 | 752,758 |
| Expected to vest | 550,445 | $ 12.83 | 5.61 | 609,741 |
| Total | 1,571,542 | $ 13.20 | 4.68 | 1,362,499 |

As of May 28, 2017, there was $4.6 million of total unrecognized compensation expense related to unvested equity compensation awards granted under the Landec incentive stock plans. Total expense is expected to be recognized over the weighted-average period of 1.5 years for stock options and 1.4 years for restricted stock unit awards.

**Stock Repurchase Plan**

On July 14, 2010, the Board of Directors of the Company approved the establishment of a stock repurchase plan which allows for the repurchase of up to $10.0 million of the Company's Common Stock. The Company may repurchase its Common Stock from time to time in open market purchases or in privately negotiated transactions. The timing and actual number of shares repurchased is at the discretion of management of the Company and will depend on a variety of factors, including stock price, corporate and regulatory requirements, market conditions, the relative attractiveness of other capital deployment opportunities and other corporate priorities. The stock repurchase program does not obligate Landec to acquire any amount of its Common Stock and the program may be modified, suspended or terminated at any time at the Company's discretion without prior notice. During fiscal years 2017, 2016 and 2015, the Company did not purchase any shares on the open market.

7. **Debt**

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

| | May 28, 2017 | May 29, 2016 |
|---|---|---|
| Term loan with JPMorgan Chase Bank ("JPMorgan"), BMO Harris Bank N,A. ("BMO"), and City National Bank ("CNB"); due in quarterly principal and interest payments of $1,250 beginning December 1, 2016 through September 23, 2021 with the remainder due on maturity, with interest based on the Company's leverage ratio at a per annum rate of the Eurodollar rate plus a spread of between 1.25% and 2.25% | $ 47,500 | $ — |
| Real property loan agreement with General Electric Capital Corporation ("GE Capital"); due in monthly principal and interest payments of $133,060 through May 1, 2022 with interest based on a fixed rate of 4.02% per annum | — | 14,167 |
| Capital equipment loan with GE Capital; due in monthly principal and interest payments of $175,356 through May 1, 2019 with interest based on a fixed rate of 4.39% per annum | — | 5,904 |
| Capital equipment loan with GE Capital; due in monthly principal and interest payments of $95,120 through July 17, 2019 with interest based on a fixed rate of 3.68% per annum | — | 5,558 |
| Capital equipment loan with GE Capital; due in monthly principal and interest payments of $55,828 through December 1, 2019 with interest based on a fixed rate of 3.74% per annum | — | 3,375 |
| Capital equipment loan with Bank of America ("BofA"); due in monthly principal and interest payments of $68,274 through June 28, 2020 with interest based on a fixed rate of 2.79% per annum | — | 3,158 |
| Real property loan agreement with GE Capital ; due in monthly principal payments of $46,000 through March 1, 2026, plus interest payable monthly at LIBOR plus 2.25% per annum | — | 7,622 |
| Capital equipment loan with GE Capital; due in monthly principal payments of $122,000 through March 1, 2021, plus interest payable monthly at LIBOR plus 2.25% per annum | — | 8,873 |
| Capital equipment loan with BofA; due in monthly principal and interest payments of $75,000 through November 27, 2020 with interest based on a fixed rate of 2.92% per annum | — | 3,940 |
| Industrial revenue bonds ("IRBs") issued by Lifecore; due in annual payments through 2020 with interest at a variable rate set weekly by the bond remarketing agent | — | 2,065 |
| Total principal amount of long-term debt | 47,500 | 54,662 |
| Less: unamortized debt issuance costs | (261) | (817) |
| Total long-term debt, net of unamortized debt issuance costs | 47,239 | 53,845 |
| Less: current portion of long-term debt, net | (4,940) | (7,873) |
| Long-term debt, net | $ 42,299 | $ 45,972 |

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

| | Term Loan |
|---|---|
| Fiscal year 2018 | $ 5,000 |
| Fiscal year 2019 | 5,000 |
| Fiscal year 2020 | 5,000 |
| Fiscal year 2021 | 5,000 |
| Fiscal year 2022 | 27,500 |
| Thereafter | — |
| Total | $ 47,500 |

On September 23, 2016, the Company entered into a Credit Agreement with JPMorgan, BMO, and City National Bank, as lenders (collectively, the "Lenders"), and JPMorgan as administrative agent, pursuant to which the Lenders provided the Company with a $100 million revolving line of credit (the "Revolver") and a $50 million term loan facility (the "Term Loan"), guaranteed by each of the Company's direct and indirect subsidiaries and secured by substantially all of the Company's assets, with the exception of the Company's investment in Windset.

Both the Revolver and the Term Loan mature in five years (on September 23, 2021), with the Term Loan providing for quarterly principal payments of $1.25 million commencing December 1, 2016, with the remainder due at maturity.

Interest on both the Revolver and the Term Loan is based on either the prime rate or Eurodollar rate, at the Company's discretion, plus a spread based on the Company's leverage ratio (generally defined as the ratio of the Company's total indebtedness on such date to the Company's consolidated earnings before interest, taxes, depreciation, and amortization ("EBITDA") for the period of four consecutive fiscal quarters ended on or most recently prior to such date). The spread is at a per annum rate of (i) between 0.25% and 1.25% if the prime rate is elected or (ii) between 1.25% and 2.25% if the Eurodollar rate is elected.

The Credit Agreement provides the Company the right to increase the Revolver commitments and/or the Term Loan commitments by obtaining additional commitments either from one or more of the Lenders or another lending institution at an amount of up to $75 million.

The Credit Agreement contains customary financial covenants and events of default under which the obligation could be accelerated and/or the interest rate increased. The Company was in compliance with all financial covenants as of May 28, 2017.

On November 1, 2016, the Company entered into an interest rate swap agreement ("Swap") with BMO at a notional amount of $50 million. The Swap has the effect of changing the Company's Term Loan obligation from a variable interest rate to a fixed 30-day LIBOR rate of 1.22%. As of May 28, 2017, the interest rate on the Term Loan was 2.72%. For further discussion regarding the Company's use of derivative instruments, see the Financial Instruments section of Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies.

In connection with the Credit Agreement, the Company incurred in fiscal year 2017 lender and third-party debt issuance costs of $897,000, of which $598,000 and $299,000 was allocated to the Revolver and Term Loan, respectively. During fiscal years 2016 and 2015, Apio capitalized $200,000 and $397,000, respectively, of debt issuance costs from new real property and equipment loans and/or amendments with General Electric Capital Corporation and Bank of America. Amortization of loan origination fees for fiscal years 2017, 2016 and 2015 were $142,000, $293,000 and $206,000 respectively.

Concurrent with the close of the Credit Agreement, all of the proceeds of the Term Loan, and $1.5 million of the Revolver, was used by the Company to repay all then existing debt. Accordingly, the Company recognized a loss on debt refinancing of $1.2 million, which included $233,000 of payments for early debt extinguishment penalties and $1.0 million from the write-off of unamortized debt issuance costs on the Company's then existing debt as of September 23, 2016.

As of May 28, 2017, $3.0 million was outstanding on the Revolver. As of May 28, 2017, the interest rate on the Revolver was 2.57%.

## 8. Income Taxes

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

| | Year Ended | | |
|---|---|---|---|
| | May 28, 2017 | May 29, 2016 | May 31, 2015 |
| Current: | | | |
| Federal | $ 1,690 | $ 2,382 | $ 3,480 |
| State | 57 | (82) | 43 |
| Foreign | 82 | 83 | 71 |
| Total | 1,829 | 2,383 | 3,594 |
| Deferred: | | | |
| Federal | 2,244 | (9,177) | 3,789 |
| State | 262 | (610) | 363 |
| Total | 2,506 | (9,787) | 4,152 |
| Income tax expense (benefit) | $ 4,335 | $ (7,404) | $ 7,746 |

The actual provision for income taxes differs from the statutory U.S. federal income tax rate of 35% for all years presented as follows (in thousands):

| | Year Ended | | |
|---|---|---|---|
| | May 28, 2017 | May 29, 2016 | May 31, 2015 |
| Provision at U.S. statutory rate of 35% | $ 5,224 | $ (6,666) | $ 7,451 |
| State income taxes, net of federal benefit | 325 | (504) | 566 |
| Change in valuation allowance | 85 | 6 | 353 |
| Tax credits | (834) | (156) | (375) |
| Stock-based compensation | (365) | 173 | 142 |
| Domestic manufacturing deduction | (243) | (307) | (369) |
| Other | 143 | 50 | (22) |
| Total | $ 4,335 | $ (7,404) | $ 7,746 |

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

| | Year Ended | |
|---|---|---|
| | May 28, 2017 | May 29, 2016 |
| Deferred tax assets: | | |
| Accruals and reserves | $ 3,242 | $ 1,836 |
| Net operating loss carryforwards | 2,766 | 3,030 |
| Stock-based compensation | 2,032 | 1,436 |
| Research and AMT credit carryforwards | 1,050 | 468 |
| Other | 661 | 926 |
| Gross deferred tax assets | 9,751 | 7,696 |
| Valuation allowance | (1,325) | (1,240) |
| Net deferred tax assets | 8,426 | 6,456 |
| Deferred tax liabilities: | | |
| Basis difference in investment in non-public company | (11,495) | (11,125) |
| Goodwill and other indefinite life intangibles | (11,119) | (8,015) |
| Depreciation and amortization | (10,393) | (9,758) |
| Deferred tax liabilities | (33,007) | (28,898) |
| Net deferred tax liabilities | $ (24,581) | $ (22,442) |

The increase in the income tax expense for fiscal year 2017 was primarily due the Company's overall net income before tax position in fiscal year 2017 in comparison to an income tax benefit position in fiscal year 2016, which was primarily due to the Company's $34 million impairment of its GreenLine trade name in fiscal year 2016, which resulted in an overall net loss before taxes for fiscal year 2016. Additionally, the effective tax rate for fiscal year 2017 decreased to 29% from 39% in fiscal year 2016.

During the fiscal year ended May 28, 2017, excess tax benefits related to stock-based compensation of $192,000 were reflected in the consolidated statements of comprehensive income as a component of income tax expense as a result of the early adoption of ASU 2016-09, specifically related to the prospective application of excess tax benefits and tax deficiencies related to stock-based compensation.

The Company elected to early adopt the new guidance of ASU 2016-09, *Compensation – Stock Compensation (Topic 718)*: *Improvements to Employee Share-Based Payments Accounting*, in the quarter beginning May 30, 2016. Accordingly the primary effects of the adoption are as follows: (1) using a modified retrospective application, the Company recorded unrecognized excess tax benefits of $549,000 as a cumulative-effect adjustment, which increased retained earnings, and reduced deferred taxes by the same, (2) using a modified retrospective application, the Company has elected to recognize forfeitures as they occur and recorded a $200,000 increase to additional paid in capital, a $126,000 reduction to retained earnings, and a $74,000 reduction to deferred taxes to reflect the incremental stock-based compensation expense, net of the related tax impacts, that would have been recognized in prior years under the modified guidance, and (3) $150,000 and $463,000 in excess tax benefits from stock-based compensation was reclassified from cash flows from financing activities to cash flows from operating activities for the fiscal years ended May 29, 2016 and May 31, 2015, respectively, in the Consolidated Statements of Cash Flows.

As of May 28, 2017, the Company had federal, Indiana, and other state net operating loss carryforwards of approximately $6.8 million, $5.7 million, and $3.0 million respectively. These losses expire in different periods through 2032 if not utilized. The Company acquired additional net operating losses through the acquisition of GreenLine in 2012. Utilization of these acquired net operating losses in a specific year is limited due to the "change in ownership" provision of the Internal Revenue Code of 1986 and similar state provisions. The net operating losses presented above for federal and state purposes is net of any such limitation.

The Company has California research and development tax credits carryforwards of approximately $1.2 million. The research and development tax credit carryforwards have an unlimited carryforward period for California purposes.

Valuation allowances are reviewed each period on a tax jurisdiction by jurisdiction basis to analyze whether there is sufficient positive or negative evidence to support a change in judgment about the realizability of the related deferred tax assets. Based on this analysis and considering all positive and negative evidence, the Company determined that a valuation allowance of $1.3 million should be recorded as a result of uncertainty around the utilization of certain state net operating losses, and a capital loss on the Company's investment in Aesthetic Sciences as it is more likely than not that a portion of the deferred tax asset will not be realized in the foreseeable future. The valuation allowance increased by an immaterial amount from the prior year primarily due to uncertainty around the utilization of certain state net operating losses and credits.

The accounting for uncertainty in income taxes recognized in an enterprise's financial statements prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and the derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

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

| | As of | | |
|---|---|---|---|
| | May 28, 2017 | May 29, 2016 | May 31, 2015 |
| Unrecognized tax benefits – beginning of the period | $ 842 | $ 987 | $ 1,035 |
| Gross increases – tax positions in prior period | 11 | 1 | 17 |
| Gross decreases – tax positions in prior period | (90) | (223) | (141) |
| Gross increases – current-period tax positions | 93 | 77 | 76 |
| Lapse of statute of limitations | (319) | — | — |
| Unrecognized tax benefits – end of the period | $ 537 | $ 842 | $ 987 |

As of May 28, 2017, the total amount of net unrecognized tax benefits was $537,000, of which $419,000, if recognized, would affect the effective tax rate. The Company accrues interest and penalties related to unrecognized tax benefits in its provision for income taxes. The total amount of penalties and interest was not material as of May 28, 2017. Additionally, the Company expects its unrecognized tax benefits to decrease by approximately $215,000 within the next 12 months.

Due to tax attribute carryforwards, the Company is subject to examination for tax years 2013 forward for U.S. tax purposes. The Company is also subject to examination in various state jurisdictions for tax years 1998 forward, none of which were individually material.

**9. Commitments and Contingencies**

**Operating Leases**

Landec leases land, facilities, and equipment under operating lease agreements with various terms and conditions, which expire at various dates through fiscal year 2030. Certain of these leases have renewal options.

The approximate future minimum lease payments under these operating leases at May 28, 2017 are as follows (in thousands):

| | | Amount |
|---|---|---|
| Fiscal year 2018 | $ | 3,349 |
| Fiscal year 2019 | | 2,301 |
| Fiscal year 2020 | | 1,286 |
| Fiscal year 2021 | | 1,138 |
| Fiscal year 2022 | | 906 |
| Thereafter | | 6,771 |
| Total | $ | 15,751 |

Rent expense for operating leases, including month to month arrangements was $5.6 million, $4.5 million and $5.0 million for the fiscal years 2017, 2016 and 2015, respectively.

**Capital Leases**

On September 3, 2015, Lifecore leased a 65,000 square foot building in Chaska, MN, two miles from its current facility. The initial term of the lease is seven years with two five-year renewal options. The lease contains a buyout option at any time after year seven with the purchase price equal to then mortgage balance on the lessor’s loan secured by the building. Included in property, plant and equipment as of May 28, 2017 is $3.7 million associated with this capital lease. The monthly lease payment was initially $34,000 and increases by 2.4% per year. Lifecore and the lessor made capital improvements prior to occupancy and thus the lease did not become effective until January 1, 2016. Lifecore is currently using the building for warehousing and final packaging. Apio has a capital lease for office equipment for which the value of $104,000 is included in property, plant and equipment as of May 28, 2017.

Future minimum lease payments under capital leases for each year presented as are follows (in thousands):

| | | |
|---|---|---|
| Fiscal year 2018 | $ | 462 |
| Fiscal year 2019 | | 472 |
| Fiscal year 2020 | | 483 |
| Fiscal year 2021 | | 486 |
| Fiscal year 2022 | | 460 |
| Thereafter | | 3,491 |
| Total minimum lease payment | | 5,854 |
| Less: amounts representing interest and taxes | | (2,053) |
| Total | | 3,801 |
| Less: current portion included in other accrued liabilities | | (70) |
| Long-term capital lease obligation | $ | 3,731 |

### Purchase Commitments

At May 28, 2017, the Company was committed to purchase $19.1 million of produce and other materials during fiscal year 2018 in accordance with contractual terms at market rates. Payments of $32.2 million, $30.5 million and $16.8 million were made in fiscal years 2017, 2016 and 2015, respectively, under similar arrangements.

### Legal Contingencies

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

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

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

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

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

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

## 10. Employee Savings and Investment Plans

The Company sponsors a 401(k) plan which is available to all full-time Landec employees (“Landec Plan”), allows participants to contribute from 1% to 50% of their salaries, up to the Internal Revenue Service limitation into designated investment funds. The Company matches 100% on the first 3% and 50% on the next 2% contributed by an employee. Employee and Company contributions are fully vested at the time of the contributions. The Company retains the right, by action of the Board of Directors, to amend, modify, or terminate the plan. For fiscal years 2017, 2016 and 2015, the Company contributed $1.5 million, $1.3 million and $1.2 million, respectively, to the Landec Plan.

## 11. Business Segment Reporting

The Company manages its business operations through three strategic business units. Based upon the information reported to the chief operating decision maker, who is the Chief Executive Officer, the Company has the following reportable segments: the Packa ged Fresh Vegetables segment, the Food Export segment and the Biomaterials segment.

The Packaged Fresh Vegetables segment markets and packs specialty packaged whole and fresh-cut fruit and vegetables, the majority of which incorporate the BreatheWay spec ialty packaging for the retail grocery, club store and food services industry. In addition, the Packaged Fresh Vegetables segment sells BreatheWay packaging to partners for fruit and vegetable products. The Food Export segment consists of revenues generated from the purchase and sale of primarily whole commodity fruit and vegetable products predominantly to Asia. The Biomaterials segment sells products utilizing hyaluronan, a naturally occurring polysaccharide that is widely distributed in the extracellular matrix of connective tissues in both animals and humans, and non-HA products for medical use primarily in the Ophthalmic, Orthopedic and other markets. Other includes licensing and R&D activities from Landec's Intelimer polymers for agricultural products, personal care products and other industrial products and from the operations of the O Olive business from its acquisition date of March 1, 2017 through Mary 28, 2017. The Other segment also includes corporate general and administrative expenses, non-Packaged Fresh Vegetables and non-Biomaterials interest income and income tax expenses. All of the assets of the Company are located within the United States of America.

The Company's international sales by geography are based on the billing address of the customer and were as follows (in millions):

| | Year Ended | | |
|---|---|---|---|
| | May 28, 2017 | May 29, 2016 | May 31, 2015 |
| Canada | $ 69.3 | $ 80.6 | $ 79.7 |
| Taiwan | $ 30.0 | $ 32.3 | $ 32.1 |
| Belgium | $ 21.0 | $ 13.4 | $ 6.8 |
| China | $ 12.1 | $ 8.3 | $ 9.0 |
| Indonesia | $ 8.5 | $ 9.4 | $ 9.0 |
| Japan | $ 7.4 | $ 6.4 | $ 8.5 |
| All Other Countries | $ 13.0 | $ 17.0 | $ 18.4 |

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

| Year Ended May 28, 2017 | Packaged Fresh Vegetables | Food Export | Biomaterials | Other | Total |
|---|---|---|---|---|---|
| Net sales | $ 408,021 | $ 62,481 | $ 59,392 | $ 2,363 | $ 532,257 |
| International sales | $ 69,802 | $ 62,481 | $ 29,053 | $ — | $ 161,336 |
| Gross profit | $ 51,148 | $ 3,974 | $ 26,755 | $ 1,309 | $ 83,186 |
| Net income (loss) | $ 2,722 | $ 669 | $ 10,228 | $ (3,029) | $ 10,590 |
| Identifiable assets | $ 211,381 | $ 27,087 | $ 104,492 | $ 15,648 | $ 358,608 |
| Depreciation and amortization | $ 7,312 | $ — | $ 3,054 | $ 311 | $ 10,677 |
| Capital expenditures | $ 12,150 | $ — | $ 9,902 | $ 540 | $ 22,592 |
| Dividend income | $ 1,650 | $ — | $ — | $ — | $ 1,650 |
| Interest income | $ 16 | $ — | $ — | $ — | $ 16 |
| Interest expense, net | $ 674 | $ — | $ 13 | $ 1,139 | $ 1,826 |
| Income tax expense | $ 823 | $ 189 | $ 2,938 | $ 385 | $ 4,335 |
| | | | | | |
| Year Ended May 29, 2016 | | | | | |
| Net sales | $ 423,859 | $ 64,181 | $ 50,470 | $ 2,589 | $ 541,099 |
| International sales | $ 81,242 | $ 64,181 | $ 21,993 | $ — | $ 167,416 |
| Gross profit | $ 40,479 | $ 4,176 | $ 24,081 | $ 2,221 | $ 70,957 |
| Net income (loss) | $ (31,975) | $ 699 | $ 9,499 | $ 10,136 | $ (11,641) |
| Identifiable assets | $ 212,524 | $ 29,124 | $ 98,986 | $ 2,019 | $ 342,653 |
| Depreciation and amortization | $ 6,648 | $ 1 | $ 2,606 | $ 140 | $ 9,395 |
| Capital expenditures | $ 26,892 | $ — | $ 13,975 | $ — | $ 40,867 |
| Dividend income | $ 1,650 | $ — | $ — | $ — | $ 1,650 |
| Interest income | $ 46 | $ — | $ 25 | $ — | $ 71 |
| Interest expense, net | $ 1,721 | $ — | $ 266 | $ — | $ 1,987 |
| Income tax expense (benefit) | $ 415 | $ 143 | $ 1,946 | $ (9,908) | $ (7,404) |
| | | | | | |
| Year Ended May 31, 2015 | | | | | |
| Net sales | $ 430,415 | $ 67,837 | $ 40,432 | $ 573 | $ 539,257 |
| International sales | $ 80,500 | $ 67,714 | $ 15,246 | $ — | $ 163,460 |
| Gross profit | $ 45,993 | $ 4,252 | $ 14,609 | $ 553 | $ 65,407 |
| Net income (loss) | $ 17,145 | $ 1,041 | $ 3,838 | $ (8,480) | $ 13,544 |
| Identifiable assets | $ 228,672 | $ 27,746 | $ 85,779 | $ 4,268 | $ 346,465 |
| Depreciation and amortization | $ 4,766 | $ 6 | $ 2,184 | $ 134 | $ 7,090 |
| Capital expenditures | $ 12,895 | $ — | $ 4,499 | $ 117 | $ 17,511 |
| Dividend income | $ 1,417 | $ — | $ — | $ — | $ 1,417 |
| Interest income | $ 32 | $ — | $ 254 | $ 29 | $ 315 |
| Interest expense, net | $ 1,655 | $ — | $ 174 | $ — | $ 1,829 |
| Income tax expense | $ 792 | $ 48 | $ 177 | $ 6,729 | $ 7,746 |

## 12. Quarterly Consolidated Financial Information (unaudited)

The following is a summary of the unaudited quarterly results of operations for fiscal years 2017, 2016 and 2015 (in thousands, except for per share amounts):

| Fiscal Year 2017 | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Annual |
|---|---|---|---|---|---|
| Revenues | $ 132,394 | $ 135,865 | $ 136,568 | $ 127,430 | $ 532,257 |
| Gross profit | $ 21,144 | $ 18,953 | $ 23,432 | $ 19,657 | $ 83,186 |
| Net income (loss) | $ 3,312 | $ 1,326 | $ 3,500 | $ 2,452 | $ 10,590 |
| Net income (loss) per basic share | $ 0.12 | $ 0.05 | $ 0.13 | $ 0.09 | $ 0.39 |
| Net income (loss) per diluted share | $ 0.12 | $ 0.05 | $ 0.13 | $ 0.09 | $ 0.38 |

| Fiscal Year 2016 | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Annual |
|---|---|---|---|---|---|
| Revenues | $ 135,355 | $ 140,441 | $ 129,990 | $ 135,313 | $ 541,099 |
| Gross profit | $ 17,977 | $ 17,265 | $ 12,931 | $ 22,784 | $ 70,957 |
| Net income (loss) | $ 2,952 | $ 1,868 | $ (21,190) | $ 4,729 | $ (11,641) |
| Net income (loss) per basic share | $ 0.11 | $ 0.07 | $ (0.78) | $ 0.17 | $ (0.43) |
| Net income (loss) per diluted share | $ 0.11 | $ 0.07 | $ (0.78) | $ 0.17 | $ (0.43) |

| Fiscal Year 2015 | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Annual |
|---|---|---|---|---|---|
| Revenues | $ 133,614 | $ 132,665 | $ 138,530 | $ 134,448 | $ 539,257 |
| Gross profit | $ 14,188 | $ 15,666 | $ 16,885 | $ 18,668 | $ 65,407 |
| Net income | $ 2,353 | $ 3,223 | $ 3,772 | $ 4,196 | $ 13,544 |
| Net income per basic share | $ 0.09 | $ 0.12 | $ 0.14 | $ 0.16 | $ 0.50 |
| Net income per diluted share | $ 0.09 | $ 0.12 | $ 0.14 | $ 0.15 | $ 0.50 |

## SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Amendment No. 2 to be signed on its behalf by the undersigned, thereunto duly authorized.

**LANDEC CORPORATION**

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

## INDEX OF EXHIBITS

| Exhibit Number | Exhibit Title |
|---|---|
| 3.1 | Certificate of Incorporation of Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated November 7, 2008. |
| 3.2 | Amended and Restated Bylaws of Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated October 16, 2012. |
| 10.1 | Form of Indemnification Agreement, incorporated herein by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 29, 2005. |
| 10.2 | Industrial Real Estate Lease dated March 1, 1993 between the Registrant and Wayne R. Brown & Bibbits Brown, Trustees of the Wayne R. Brown & Bibbits Brown Living Trust dated December 30, 1987, incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 (File No. 33-80723) declared effective on February 12, 1996. |
| 10.3# | License and research and development agreement between the Registrant and Air Products and Chemicals, Inc. dated March 14, 2006, incorporated herein by reference to Exhibit 10.63 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 28, 2006. |
| 10.4 | Agreement and Plan of Merger between Landec Corporation, a California corporation, and the Registrant, dated as of November 6, 2008, incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated November 7, 2008. |
| 10.5* | 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated October 19, 2009. |
| 10.6* | Form of Stock Grant Agreement for 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated October 19, 2009. |
| 10.7* | Form of Notice of Stock Option Grant and Stock Option Agreement for 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.3 to the Registrant's Current Report on Form 8-K dated October 19, 2009. |
| 10.8* | Form of Stock Unit Agreement for 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.4 to the Registrant's Current Report on Form 8-K dated October 19, 2009. |
| 10.9* | Form of Stock Appreciation Right Agreement for 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.5 to the Registrant's Current Report on Form 8-K dated October 19, 2009. |
| 10.10 | Loan agreements by and between the Registrant, Apio, Inc. and General Electric Capital Corporation dated April 23, 2012, incorporated herein by reference to Exhibits 10.1 through 10.9 to the Registrant's Current Report on Form 8-K dated May 27, 2012. |
| 10.11 | Credit Agreement and Reimbursement Agreement by and between Lifecore Biomedical, LLC and BMO Harris Bank N.A. dated May 23, 2012, incorporated herein by reference to Exhibits 10.1 and 10.2 to the Registrant's Current Report on Form 8-K dated May 29, 2012. |
| 10.12* | Nonqualified Deferred Compensation Plan, incorporated herein by reference to the Registrant's Current Report on Form 8-K dated July 31, 2013. |
| 10.13* | 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated October 11, 2013. |

| Exhibit Number | Exhibit Title |
|---|---|
| 10.14* | Form of Stock Grant Agreement for 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated October 11, 2013. |
| 10.15* | Form of Notice of Stock Option Grant and Stock Option Agreement for 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.3 to the Registrant's Current Report on Form 8-K dated October 11, 2013. |
| 10.16* | Form of Stock Unit Agreement for 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.4 to the Registrant's Current Report on Form 8-K dated October 11, 2013. |
| 10.17* | Form of Stock Appreciation Right Agreement for 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.5 to the Registrant's Current Report on Form 8-K dated October 11, 2013. |
| 10.18* | Employment Agreement between the Registrant and Gary T. Steele effective as of May 26, 2014, incorporated herein by reference to Exhibit 10.35 to the Registrant’s Current Report on Form 8-K dated June 23, 2014. |
| 10.19 | Second Amendment to Credit Agreement dated July 17, 2014 among Apio, Inc., Cal-Ex Trading Company, GreenLine Logistics, Inc. and General Electric Capital Corporation, incorporated herein by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K dated July 21, 2014. |
| 10.20 | First Amendment to Loan Agreement dated as of August 28, 2014 among Apio, Inc., Apio Cooling LP and General Electric Capital Corporation, incorporated herein by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K dated September 2, 2014. |
| 10.21 | Promissory Note dated as of August 28, 2014 by Apio, Inc., payable to GE Capital Commercial, Inc., incorporated herein by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K dated September 2, 2014. |
| 10.22 | Third Amendment to Credit Agreement dated as of August 28, 2014 among Apio, Inc., Cal-Ex Trading Company, GreenLine Logistics, Inc. and General Electric Capital Corporation, incorporated herein by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 8-K dated September 2, 2014. |
| 10.23 | Second Amendment to Loan Agreement dated as of November 24, 2014 among Apio, Inc., Apio Cooling LP and General Electric Capital Corporation, incorporated herein by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K dated December 3, 2014. |
| 10.24 | Promissory Note dated as of November 24, 2014 by Apio, Inc., payable to GE Capital Commercial, Inc., incorporated herein by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K dated December 3, 2014. |
| 10.25 | Proposal Letter dated April 2, 2015 between Banc of America Leasing & Capital, LLC, Apio, Inc. and Landec Corporation, incorporated herein by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K dated May 21, 2015. |
| 10.26 | Master Loan and Security Agreement dated as of May 7, 2015 between Apio, Inc. and Banc of America Leasing & Capital, LLC, incorporated herein by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K dated May 21, 2015. |
| 10.27 | Form of Equipment Security Note between Apio, Inc. and Banc of America Leasing & Capital, LLC, incorporated herein by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 8-K dated May 21, 2015. |
| 10.28 | Commitment Letter dated May 15, 2015 between General Electric Capital Corporation and Apio, Inc., incorporated herein by reference to Exhibit 10.5 to the Registrant’s Current Report on Form 8-K dated May 21, 2015. |

| Exhibit Number | Exhibit Title |
|---|---|
| 10.29 | Equipment Security Note dated May 29, 2015 by Apio, Inc., payable to Banc of America Leasing & Capital, LLC incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated June 3, 2015. |
| 10.30 | Fourth Amendment to Credit Agreement dated as of May 27, 2015 among Apio, Inc., Cal-Ex Trading Company, GreenLine Logistics, Inc. and General Electric Capital Corporation, incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated June 3, 2015. |
| 10.31 | Progress Payment Agreement dated as of September 28, 2015 between Apio, Inc. and GE Capital Corporation, incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated October 2, 2015. |
| 10.32* | Employment Agreement between the Registrant and Gregory S. Skinner effective as of October 15, 2015, incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated October 21, 2015. |
| 10.33* | Employment Agreements between the Registrant and Molly A. Hemmeter effective as of October 15, 2015, incorporated herein by reference to Exhibits 10.1 and 10.2 to the Registrant's Current Report on Form 8-K dated October 21, 2015. |
| 10.34 | Press Release dated February 26, 2016 describing the material impairment of the Registrant's GreenLine trademark incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated February 26, 2016. |
| 10.35 | Loan Agreement dated February 26, 2016 between the Registrant, Apio, Inc., Apio Cooling LP and CF Equipment Loans LLC (successor-in-interest to General Electric Capital Corporation) incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated March 3, 2016. |
| 10.36 | Promissory Note dated February 26, 2016 issued by Apio to CF Equipment Loans, LLC, incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated March 3, 2016. |
| 10.37 | Promissory Note dated February 26, 2016 issued by Apio to CF Equipment Loans, LLC, incorporated herein by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated March 3, 2016. |
| 10.38 | Guaranty dated February 26, 2016 between the Registrant and CF Equipment Loans, LLC, incorporated herein by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K dated March 3, 2016. |
| 10.39 | Credit Agreement and Pledge and Security Agreement by and between the Registrant, and JPMorgan Chase Bank, N.A., BMO Harris Bank N.A., and City National Bank, dated September 23, 2016, incorporated herein by reference to Exhibits 10.1 and 10.2 to the Registrant's Current Report on Form 8-K dated September 29, 2016. |
| 10.40 | Long-Term Incentive Plan for Fiscal Year 2019, incorporated herein by reference to Registrant's Current Report on Form 8-k dated October 25, 2016. |
| 10.41 | Settlement Agreement amongst the Registrant, Apio, Inc., Rancho Harvest, Inc. and Pacific Harvest, Inc. and the plaintiffs named therein and Addendum to the Settlement Agreement effective as of May 5, 2017, incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated May 10, 2017. |

| | | |
|---|---|---|
| 21.1 | Subsidiaries of the Registrant at May 28, 2017 | State of Incorporation |
| | Apio, Inc. | Delaware |
| | Lifecore Biomedical, Inc. | Delaware |

| Exhibit Number | Exhibit Title |
|---|---|
| 23.1+ | Consent of Independent Registered Public Accounting Firm |
| 31.1+ | CEO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2+ | CFO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1+ | CEO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2+ | CFO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS** | XBRL Instance |
| 101.SCH** | XBRL Taxonomy Extension Schema |
| 101.CAL** | XBRL Taxonomy Extension Calculation |
| 101.DEF** | XBRL Taxonomy Extension Definition |
| 101.LAB** | XBRL Taxonomy Extension Labels |
| 101.PRE** | XBRL Taxonomy Extension Presentation |
| * | Represents a management contract or compensatory plan or arrangement required to be filed as an exhibit to this report pursuant to Item 15(b) of Form 10-K. |
| ** | Information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections. |
| + | Filed herewith. |
| # | Confidential treatment requested as to certain portions. The term “confidential treatment” and the mark “*” as used throughout the indicated Exhibit means that material has been omitted. |

**EXHIBIT 23.1**

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-207467) of Landec Corporation, and
(2) Registration Statement (Form S-8 Nos. 333-163926 and 333-193213) pertaining to the 2009 Stock Incentive Plan and 2013 Stock Incentive Plan of Landec Corporation;

of our reports dated August 10, 2017, with respect to the consolidated financial statements of Landec Corporation and the effectiveness of internal control over financial reporting of Landec Corporation included in this Annual Report (Form 10-K) of Landec Corporation for the year ended May 28, 2017.

/s/ Ernst & Young LLP

San Francisco, California
March 14, 2018

**EXHIBIT 31.1**

CERTIFICATION PURSUANT TO RULE 13A-14(a) OR 15D-14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002

I, Molly A. Hemmeter, certify that:

1. I have reviewed this annual report on Form 10-K/A of Landec Corporation.

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

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

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

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

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: March 14, 2018

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

**EXHIBIT 31.2**

CERTIFICATION PURSUANT TO RULE 13A-14(a) OR 15D-14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002

I, Gregory S. Skinner, certify that:

1. I have reviewed this annual report on Form 10-K/A of Landec Corporation.

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

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

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

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

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: March 14, 2018

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

**EXHIBIT 32.1**

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

In connection with the annual report of Landec Corporation (the "Company") on Form 10-K/A for the year ended May 28, 2017 as filed with the Securities and Exchange Commission (the "Report"), the undersigned, Molly A. Hemmeter, Chief Executive Officer and President of the Company, certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: March 14, 2018

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

**EXHIBIT 32.2**

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

In connection with the annual report of Landec Corporation (the "Company") on Form 10-K/A for the year ended May 28, 2017 as filed with the Securities and Exchange Commission (the "Report"), the undersigned, Gregory S. Skinner, Vice President and Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: March 14, 2018

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