

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED OCTOBER 31, 1999, or

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

For the Transition period from _____ to _____.

Commission file number: 0-27446

LANDEC CORPORATION
(Exact name of registrant as specified in its charter)

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

3603 HAVEN AVENUE
MENLO PARK, CALIFORNIA 94025
(Address of principal executive offices)

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

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

Title of each class -----	Name of each exchange on which registered -----
None	None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value \$0.001 per share
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
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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.

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately \$91,028,000 as of January 7, 2000, based upon the closing sales price on the NASDAQ National Market reported for such date. Shares of Common Stock and Convertible Preferred Stock held by each officer and director and by each person who owns 10% or more of the outstanding Common Stock and Convertible Preferred 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 January 7, 2000, there were 15,922,331 shares of Common Stock and 166,667 shares of Convertible Preferred Stock, convertible into ten shares of Common Stock for each share of Preferred Stock, par value \$0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2000 Annual Meeting of Shareholders, 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.

LANDEC CORPORATION
ANNUAL REPORT ON FORM 10-K

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PART I

ITEM 1. BUSINESS

Except for the historical information contained herein, the matters discussed in this report are forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Potential risks and uncertainties include, without limitation, those mentioned in this Report and, in particular, the factors described in Item 7 under "Additional Factors That May Affect Future Results."

GENERAL

Landec Corporation and its subsidiaries ("Landec" or the "Company") design, develop, manufacture and sell temperature-activated and other specialty polymer products for a variety of food products, agricultural products, specialty industrial and medical applications. This proprietary polymer technology is the foundation, and a key differentiating advantage, upon which the Company has built its business.

Landec's Food Products Technology business, operated through its wholly owned subsidiary Apio, combines Landec's proprietary food packaging technology with the capabilities of a large national food supplier and value-added produce processor. This combination was consummated in December 1999 when the Company acquired Apio, Inc. and certain related entities (collectively "Apio").

The Company's Agricultural Seed Technology business, operated through its wholly owned subsidiary Intellicoat Corporation ("Intellicoat"), combines Landec's proprietary seed coating technology with the unique direct marketing, telephone sales and e-commerce distribution capabilities of Fielder's Choice Direct ("Fielder's Choice"). In September 1997, Intellicoat acquired Fielder's Choice, a direct marketer of hybrid seed corn.

In addition to its two core businesses, the Company also operates a Technology Licensing/Research and Development Business which licenses products outside of Landec's core businesses to industry leaders such as Alcon Laboratories, Inc. ("Alcon") and Hitachi Chemicals. It also engages in research and development activities with companies such as ConvaTec, a division of Bristol Myers Squibb.

To support the polymer manufacturing needs of the core businesses, Landec has developed and acquired lab scale and pilot plant capabilities in Menlo Park, California and scale-up and commercial manufacturing capabilities at its Dock Resins Corporation subsidiary ("Dock Resins") in Linden, New Jersey. In April 1997, Landec acquired Dock Resins, a manufacturer and marketer of specialty acrylic and other polymers. In addition to providing manufacturing capabilities, Dock Resins sells industrial specialty products under the Doresco-TM- trademark which are used by more than 300 customers throughout the United States in the coatings, printing inks, laminating and adhesives markets.

The Company's core polymer products are based on its patented proprietary Intelimer-registered Trademark- polymers, which differ from other polymers in that they can be customized to abruptly change their physical characteristics when heated or cooled through a pre-set temperature switch. For instance, Intelimer polymers can change within the space of one or two DEG. Celsius from a slick, non-adhesive state to a highly tacky, adhesive state; from an impermeable state to a highly permeable state; or from a solid state to a viscous state. These abrupt changes are repeatedly reversible and can be tailored by Landec to occur at specific temperatures, thereby offering substantial competitive advantages in the Company's target markets.

Historically, the Company had managed its operations in three business segments - Food Products Technology, Agricultural Seed Technology and Industrial High Performance Materials. However, in conjunction with the acquisition of Apio on December 2, 1999, the Company is now focusing on two vertically integrated core businesses - Food Products Technology and Agricultural Seed Technology. Although not a core business, the Company continues to pursue, mostly with partners, opportunities both domestically and internationally with its industrial products focusing primarily on catalysts, resins, formulated products and adhesives.

The principal products and services offered by the Company in its two core businesses - Food Products Technology and Agricultural Seed Technology - and in the technology licensing and research and development are described below. Financial information concerning the industry segments for which the Company reported its operations during fiscal years 1997 through 1999 is summarized in Note 13 to the Consolidated Financial Statements.

The Company was incorporated in California on October 31, 1986. The Company completed its initial public offering in 1996 and is listed on the Nasdaq National Market under the symbol "LNDC."

TECHNOLOGY OVERVIEW

Polymers are important and versatile materials found in many of the products of modern life. Certain polymers, such as cellulose and natural rubber, occur in nature. Man-made polymers include nylon fibers used in carpeting and clothing, coatings used in paints and finishes, plastics such as polyethylene, and elastomers used in automobile tires and latex gloves. Historically, synthetic polymers have been designed and developed primarily for improved mechanical and thermal properties, such as strength and the ability to withstand high temperatures. Improvements in these and other properties and the ease of manufacturing of synthetic polymers have allowed these materials to replace wood, metal and natural fibers in many applications over the last 40 years. More recently, scientists have focused their efforts on identifying and developing sophisticated polymers with novel properties for a variety of commercial applications.

Landec's Intelimer polymers are a proprietary class of synthetic polymeric materials that respond to temperature changes in a controllable, predictable way. Typically, polymers gradually change in adhesion, permeability and viscosity over broad temperature ranges. Landec's Intelimer materials, in contrast, can be designed to exhibit abrupt changes in permeability, adhesion and/or viscosity over temperature ranges as narrow as 1DEG.C to 2DEG.C. These changes can be designed to occur at relatively low temperatures (0DEG.C to 100DEG.C) that are relatively easy to maintain in industrial and commercial environments. FIGURE 1 illustrates the effect of temperature on Intelimer materials as compared to typical polymers.

[GRAPHIC]

Landec's proprietary polymer technology is based on the structure and phase behavior of Intelimer materials. The abrupt thermal transitions of specific Intelimer materials are achieved through the use of chemically precise hydrocarbon side chains that are attached to a polymer backbone. Below a pre-determined switch temperature, the

polymer's side chains align through weak hydrophobic interactions resulting in a crystalline structure. When this side chain crystallizable polymer is heated to, or above, this switch temperature, these interactions are disrupted and the polymer is transformed into an amorphous, viscous state. Because this transformation involves a physical and not a chemical change, this process is repeatedly reversible. Landec can set the polymer switch temperature anywhere between 0DEG.C to 100DEG.C by varying the length of the side chains. The reversible transitions between crystalline and amorphous states are illustrated in FIGURE 2 below.

[GRAPHIC]

Side chain crystallizable polymers were first discovered by academic researchers in the mid-1950's. These polymers were initially considered to be merely of scientific curiosity from a polymer physics perspective, and, to the Company's knowledge, no significant commercial applications were pursued. In the mid-1980's, Dr. Ray Stewart, the Company's founder, became interested in the idea of using the temperature-activated permeability properties of these polymers to deliver various materials such as drugs and pesticides. After forming Landec in 1986, Dr. Stewart subsequently discovered broader utility for these polymers. After several years of basic research, commercial development efforts began in the early 1990's, resulting in initial products in mid-1994.

Landec's Intelimer materials are generally synthesized from long chain acrylic monomers that are derived primarily from natural materials such as soybean and corn oils, and are highly purifiable and designed to be manufactured economically through known polymerization processes. Intelimer materials can be made into many different forms, including films, coatings, microcapsules and discreet forms.

DESCRIPTION OF CORE BUSINESS

The Company participates in two core segments- Food Products Technology and Agricultural Seed Technology. Outside of these two core segments, Landec will license technology and conduct on going research and development through its Technology Licensing/Research & Development Business.

[GRAPH]

FOOD PRODUCTS TECHNOLOGY BUSINESS

Landec began marketing in late 1995 its proprietary Intelimer-based breathable membranes for use in the fresh-cut produce packaging market, the fastest growing segment in the food market. Landec's unique technology enabled Landec's customers to enter into and develop new businesses in this fresh-cut produce market (also known as the "value-added" market). In December 1999, Landec acquired Apio, Landec's largest customer in the Food Products Technology business and one of the nation's leading marketers and packers of produce and specialty packaged fresh-cut vegetables. With approximately \$158 million in revenue in 1998, Apio provides year-round access to produce, utilizes state-of-the-art fresh-cut produce processing technology and distributes to 9 of the top 10 U.S. retail chains and major club stores. Landec's proprietary Intelimer-based packaging business has been combined with Apio into a wholly owned subsidiary which retains the Apio, Inc. name. This vertical integration within the Food Products Technology business places Landec in the unique position of providing the fresh-cut and whole produce market with both technology and access to larger end users/customers.

INTELLIPAC-TM- BREATHABLE MEMBRANES

Certain types of fresh-cut produce can spoil or discolor rapidly when packaged in conventional packaging materials and are therefore limited in their ability to be distributed broadly to markets. The Company's Intellipac breathable membranes facilitate the packaging of fresh-cut produce.

Fresh-cut produce is pre-washed, cut and packaged in a form that is ready to use by the consumer and is thus typically sold at premium price levels. According to the Produce Marketing Association, in 1998, the total U.S. fresh produce market exceeded \$100 billion. Of this, U.S. retail sales of fresh-cut produce grew almost 20 percent to an estimated \$7 billion. The Company believes that the growth of this market has been driven by consumer demand and the willingness to pay for convenience, labor savings and uniform quality relative to produce prepared at the point of sale. The International Fresh Cut Produce Associates estimates that by 2003, U.S. retail sales of fresh-cut produce could be as much as \$19 billion.

Although fresh-cut produce companies have had success in the salad market, the industry has been slow to diversify into other fresh-cut vegetables or fruits due to limitations in film materials used to package the fresh-cut produce. After harvesting, vegetables and fruits continue to respire, consuming oxygen and releasing carbon dioxide. Too much or too little oxygen can result in premature spoilage and decay and promote the growth of contaminants and microorganisms that jeopardize inherent food safety. Conventional packaging films used today, such as polyethylene and polypropylene, can be made with modest permeability to oxygen and carbon dioxide, but often do not provide the optimal atmosphere for the produce packaged. Shortcomings of currently used materials have not significantly

hindered the growth in the fresh-cut salad market because lettuce, unlike many vegetables and fruits, has low respiration requirements.

The respiration rate of fresh-cut produce varies from vegetable to vegetable and from fruit to fruit. The challenge facing the industry is to develop packaging for the high respiring, high value and shelf life sensitive fresh-cut vegetable and fruit markets. The Company believes that today's conventional packaging films face numerous challenges in adapting to meet the diversification of pre-cut vegetables and fruits evolving in the industry without compromising shelf life and produce quality. To mirror the growth experienced in the fresh-cut salad market, the markets for high respiring vegetables and fruits such as broccoli, cauliflower, berries and stone fruit (peaches, apricots, nectarines) will require a more versatile and sophisticated packaging solution such as the Company's Intellipac breathable membranes.

The respiration rate of fresh-cut produce also varies with temperature. As temperature increases, fresh-cut produce generally respire at a higher rate, which speeds up the aging process, resulting in shortened shelf life and increased potential for decay, spoilage, loss of texture and dehydration. As fresh-cut produce is transported from the processing plant through the refrigerated distribution chain to foodservice locations or retail stores, and finally to the ultimate consumer, temperatures can fluctuate significantly. Therefore, temperature control is a constant challenge in preserving the quality of fresh-cut produce -- a challenge few current packaging films can fulfill. The Company believes that its temperature-responsive Intellipac technology will respond well to the challenges of the fresh-cut distribution process.

Using its Intelimer technology, Landec has developed Intellipac breathable membranes that it believes address many of the shortcomings of conventional materials. A membrane is applied over a small cutout section or an aperture of a flexible film bag. This highly permeable "window" acts as the mechanism to transmit the majority of the gas transmission properties required for the entire package. These membranes are designed to provide three principal benefits:

- HIGH PERMEABILITY. Landec's Intellipac breathable membranes are designed to permit transmission of oxygen and carbon dioxide at 300 times the rate of conventional packaging films. The Company believes that these higher permeability levels will facilitate the packaging diversity required to market many types of fresh-cut produce.
- ABILITY TO ADJUSTABLY SELECT OXYGEN AND CARBON DIOXIDE. Conventional packaging films diffuse gas transfer in and out of packages at an equal rate or fixed ratio of 1.0. Intellipac packages can be tailored with carbon dioxide to oxygen transfer ratios ranging from 1.0 to 12.0 and selectively transmit oxygen and carbon dioxide at optimum rates to sustain the quality and shelf life of produce.
- TEMPERATURE RESPONSIVENESS. Landec has developed breathable membranes that can be designed to increase or decrease in permeability in response to environmental temperature changes. The Company has developed packaging that responds to higher oxygen requirements at elevated temperatures but is also reversible, and returns to its original state as temperatures decline.

Landec believes that growth of the overall produce market will be driven by the increasing demand for the convenience of fresh-cut produce. This demand will in turn require packaging that facilitates the quality and shelf life of produce transported to fresh-cut processors in bulk and pallet quantities. The Company believes that in the future its Intellipac breathable membranes will be useful for packaging a diverse variety of fresh-cut produce products. Potential opportunities for using Landec's technology outside of the fresh-cut produce market exist in cut flowers and in other food products.

Landec is working with leaders in the fresh-cut food service, club store and retail grocery markets. The Company believes it will have growth opportunities for the next several years through new customers and products in the United States, expansion of its existing customer relationships, and through export and shipments of specialty packaged foods.

Landec manufactures its Intellipac breathable membranes with selected qualified contract manufacturers and markets and sells Intellipac breathable membranes directly to food processors.

APIO, INC.

In December 1999, Landec completed the acquisition of Apio and certain related entities. Landec paid \$23.9 million in cash and Landec Common Stock for Apio. An additional \$16.75 million in future payments over the next five years may be paid, \$10.0 million of which is based on Apio achieving certain performance milestones. Apio had revenue of approximately \$158 million in 1998, has realized a compounded annual growth in revenues of over 19% between 1996 and 1998 and is profitable.

Based in Guadalupe, California, Apio consists of two major businesses - - traditional whole produce harvesting, packing and marketing and specialty packaged fresh-cut value-added processed products that are pre-cut, washed and packaged in Landec's Intellipac packaging. The traditional produce business includes harvesting, packing, cooling and marketing of vegetables and fruits on a contract basis for growers in California's Santa Maria, San Joaquin and Imperial Valleys and in Arizona and Mexico. Apio currently has approximately 18,000 acres under contract, including access to approximately 20 percent of the farmable land in the Santa Maria Valley. The fresh-cut value-added processing business, developed within the last 4 years, sources a variety of fresh-cut vegetables to 9 of the top 10 retail grocery chains representing over 3,000 retail stores and to over 500 club stores. During 1998, Apio shipped more than 21 million cartons of produce to some 700 customers including leading supermarket retailers, wholesalers, food service suppliers and club stores throughout the United States and internationally, primarily in Asia.

There are four major distinguishing characteristics of Apio that provide it a competitive advantage in the Food Products Technology market:

- Apio has structured its business as a full service provider of vegetables, fruits, and fresh-cut value-added produce. As retail and club store chains consolidate, Apio is well positioned as a single source of a broad range of products.
- Apio is unique in that it takes on less farming risk than its competitors. Apio reduces its farming risk by not taking ownership of farmland, and instead, will contract with growers for produce and charge for services that include packing, cooling, shipping and marketing. In many cases, Apio does not take title to the produce but receives a margin for services rendered. The year-round sourcing of produce is a key component to both the traditional produce business as well as the fresh-cut value-added processing business.
- Apio strategically invested in the rapidly growing fresh-cut value-added business. Apio's new 35,000 square foot value-added plant operates during the peak seasons two 10-hour shifts per day, seven days a week. Apio has one of the very few temperature controlled value-added processing plants in the U.S. Ninety percent of Apio's value-added products utilize Landec's proprietary Intellipac membrane technology. Apio is also focused on developing its "Eat Smart" brand name for all of its fresh-cut value-added products.
- Apio is uniquely positioned to benefit from the growth in export sales to Asia and Europe over the next decade with its export business, CalEx. Through CalEx, Apio is currently one of the largest U.S. exporters of broccoli to Asia.

AGRICULTURAL SEED TECHNOLOGY BUSINESS

Landec formed its Intellicoat subsidiary in 1995. Intellicoat's strategy is to build a vertically integrated seed technology company based on Intellicoat's proprietary seed coating technology and its direct marketing, telephonic sales and electronic commerce capabilities.

INTELLICOAT SEED COATINGS

Landec has developed and, through Intellicoat, is conducting field trials of its Intellicoat seed coatings, an Intelimer-based agricultural material designed to control seed germination timing, increase crop yields and extend the crop planting windows. These coatings are initially being applied to corn, soybean, cotton and canola seeds. According to the U.S. Agricultural Statistics Board, the total planted acreage in 1998 in North America for corn, soybean, cotton and canola seed exceeded 77.6 million, 77.2 million, 14.6 million and 1.1 million, respectively.

Currently, farmers are required to predict the proper time to plant seeds. If the seeds are planted too early, they may rot or suffer chilling injury due to the absorption of water at cold soil temperatures. If they are planted too late, the growing season may end prior to the crop reaching full maturity. In either case, the resulting crop yields are sub-optimal. Moreover, the planting window can be fairly brief, requiring the farmer to focus almost exclusively on planting during this time. Seeds also germinate at different times due to variations in absorption of water, thus providing for variations in the growth rate of the crops.

The Company's Intellicoat seed coating prevents planted seeds from absorbing water when the ground temperature is below the coating's pre-set switch. Intellicoat seed coatings are designed to enable coated seeds to be planted early without risk of chilling damage caused by the absorption of water at cold soil temperatures. As spring advances and soil temperatures rise to the pre-determined switch temperature, the polymer's permeability increases and the coated seeds absorb water and begin to germinate. The Company believes that Intellicoat seed coatings provide the following advantages: more flexible timing for planting, avoidance of chilling injury, uniform germination and crop growth, and protection against harmful fungi. As a result, the Company believes that Intellicoat seed coatings offer the potential for significant improvements in crop yields.

Based on the success of fiscal year 1999's field trials, the Company will be selectively marketing its inbred corn seed coating products beginning in fiscal year 2000 through regional and national seed companies in the United States. This application is targeted to approximately 640,000 acres of farmland in ten states. In addition, Intellicoat seed coatings are being tested with numerous collaborators for the relay cropping of wheat and soybean. Relay cropping of wheat and soybeans will allow farmers to plant and harvest two crops during the year on the same acre of land, providing significant financial benefit for the farmer. Intellicoat plans to expand its testing of the relay cropping system in the spring of 2000 and assuming expanded field trials are successful, expects to commercially launch the technology in the spring of 2001. This application is targeted to approximately 10 million acres of farmland in six states. Future crops under consideration include cotton, canola, sugar beets and other vegetables.

FIELDER'S CHOICE DIRECT (THE DIRECT MARKETING, TELEPHONIC SALES AND E-COMMERCE COMPANY)

In September 1997, Intellicoat completed the acquisition of Fielder's Choice, a direct marketer of hybrid seed corn to farmers. Landec paid approximately \$3.6 million in cash and direct acquisition costs and \$5.2 million in Landec Common Stock for the Company. Terms of the agreement include additional consideration in the form of a cash earn-out based on future performance. Fielder's Choice had sales of approximately \$13.3 million and \$15.2 million in the twelve months ended October 31, 1998 and October 31, 1999, respectively.

Based in Monticello, Indiana, Fielder's Choice offers a comprehensive line of corn hybrids to more than 16,000 producer seed customers in over forty states through direct marketing programs. The success of Fielder's Choice comes, in part, from its expertise in selling directly to the farmer producer, bypassing the traditional and costly farmer-dealer system. The Company believes that this direct channel of distribution provides a 35% cost advantage to its farmer producers.

In order to support its direct marketing programs, Fielder's Choice has developed proprietary direct marketing, telephonic sales and e-commerce information technology, called "The Farmer First System", that enables state-of-the-art methods for communicating with a broad array of farmers. This proprietary direct marketing information technology includes a current database of over 60,000 farmers. In August 1999, the Company launched the seed industry's first comprehensive e-commerce website. This new website furthers the Company's ability to provide a high level of consultation to Fielder's Choice customers, backed by a six day a week call center capability that enables the Company to use the internet as a natural extension of its direct marketing strategy.

The acquisition of Fielder's Choice was strategic in providing a cost-effective vehicle for Intellicoat seed coating products when they are ready for commercial production. The Company believes that the combination of a direct channel of distribution, telephonic and electronic commerce capabilities will enable Intellicoat to more quickly achieve meaningful market penetration.

TECHNOLOGY LICENSING/RESEARCH & DEVELOPMENT BUSINESSES

The Company believes its technology has commercial potential in a wide range of industrial, consumer and medical applications beyond those identified in its core businesses. In order to exploit these opportunities, the Company has entered into licensing and collaborative corporate agreements for product development and/or distribution in certain fields.

INDUSTRIAL MATERIALS AND ADHESIVES

Landec's industrial products development strategy is to focus on catalysts, resins, fully-formulated products and adhesives in the polymer materials market. During the product development stage, the Company identifies corporate partners to support the ongoing development and testing of these products, with the ultimate goal of licensing the applications at the appropriate time.

INTELIMER POLYMER SYSTEMS. The Company is developing catalysts, curative, and curing agent systems based on its Intelimer technology for use in one-package thermoset products. These systems can incorporate catalysts, curatives and curing agents in a unique polymer envelope that prevents interaction by these agents with the resin when the polymer envelope is in its impermeable state. This characteristic allows all components of the thermoset product to be pre-mixed and stored at room temperature, and provides longer shelf life. Landec's unique polymer envelope system can be designed with a pre-set opening temperature switch to correspond with elevated temperatures used during standard manufacturing processes. When the thermoset system is exposed to the pre-set switch temperature, the Intelimer polymer abruptly changes to its permeable state, exposing the catalyst to the resin and initiating the curing process. In addition, the Intelimer polymer can be designed to change state over a predetermined temperature range in order to achieve a desired reaction time.

Thermoset catalyst systems can eliminate the need for costly on-site mixing equipment and because thermosets can be pre-mixed by the manufacturer, will minimize sub-optimal product performance due to incorrect component mixing ratios. Furthermore, since the thermosets will not cure until exposed to elevated temperatures, pot life should be extended, resulting in significantly reduced waste and labor expense. The Company believes that the ability to control reaction time also provides advantages over existing thermoset systems and can enhance the throughput of targeted manufacturing customers. Landec received the R&D 100 Award from R&D Magazine for its Intelimer Polymer Systems product line in 1997 in recognition of the unique capabilities of this technology. Certain Intelimer Polymer Systems products are in field trials with some large industrial companies, which, if approved, will be ready for commercial introduction during the next year.

AEROMARK-TM- 80. Landec announced in December 1998, the introduction of its first fully-formulated product, Aeromark 80, using the Company's proprietary Intelimer catalyst technology. Aeromark 80 and other related products under development are targeted to the rapidly growing prototyping/design market estimated to exceed \$100 million a year in sales. Landec's initial focus is with large volume users such as major automakers and aerospace manufacturers. Landec has been testing materials with several large European automotive companies and is currently scaling manufacturing at a contract manufacturing site in Switzerland.

DOCK RESINS. In April 1997, Landec completed the acquisition of Dock Resins, a privately-held manufacturer and marketer of specialty acrylic and other polymers based in Linden, New Jersey. Landec paid approximately \$13.7 million in cash, a promissory note and direct acquisition costs and \$2.1 million in Landec Common Stock to acquire Dock Resins. The acquisition of Dock Resins was strategic in providing the Company with immediate access to large-scale polymer manufacturing as well as a built-in customer base and national distribution network. Dock Resins has a track record of growth in revenues and earnings and a strong management team under the leadership of Dock Resins' Chief Executive Officer, Dr. A. Wayne Tamarelli.

Dock Resins also sells products under the Doresco trademark which are used by more than 300 customers throughout the United States and other countries in the coatings, printing inks, laminating and adhesives markets. Dock Resins is a leading supplier of proprietary polymers including acrylic, methacrylic, alkyd, polyester, urethane and polyamide polymers to film converters engaged in hot stamping, decorative wood grain, automotive interiors, holograms, and metal foil applications. Dock Resins also supplies products to a number of other markets such as graphic arts, automotive refinishing, construction, pressure-sensitive adhesives, paper coatings, caulks, concrete curing compounds and sealers. Dock Resins had sales of approximately \$15.4 million and \$14.0 million in the twelve months ended October 31, 1998 and October 31, 1999, respectively.

HITACHI CHEMICAL. The Company entered into two separate collaborations with Hitachi Chemical ("Hitachi") in the areas of industrial adhesives and Intelimer Polymer Systems. On October 1, 1994, the Company entered into a non-exclusive license agreement for seven years with Hitachi in the industrial adhesives area. The agreement provides Hitachi with a non-exclusive license to manufacture and sell products using Landec's Intelimer materials in certain Asian countries. Landec received up-front license fees upon signing the agreement and is entitled to future royalties based on net sales by Hitachi of the licensed products. Any fees paid to the Company are non-refundable.

On August 10, 1995, the Company entered into the second collaboration with Hitachi in the Intelimer Polymer Systems area. The agreement provided Hitachi with an exclusive license to use and sell Landec's Intelimer Polymer Systems in industrial latent curing products in certain Asian countries. Landec is entitled to be the exclusive supplier of Intelimer Polymer Systems to Hitachi for at least seven years after commercialization. Landec received an up-front license payment upon signing this agreement and research and development funding over three years and is entitled to receive future royalties based on net sales by Hitachi of the licensed products. Any fees paid to the Company are non-refundable. This agreement has been converted to a non-exclusive agreement except for one application field.

NITTA CORPORATION. On March 14, 1995, the Company entered into a license agreement with Nitta Corporation ("Nitta") in the industrial adhesives area. The agreement provides Nitta with a co-exclusive license to manufacture and sell products using Landec's Intelimer materials in certain Asian countries. Landec received up-front license fees upon signing the agreement and is entitled to future royalties based on net sales by Nitta of the licensed products. Any fees paid to the Company are non-refundable. This agreement is terminable at Nitta's option. Nitta and the Company entered into an additional exclusive license arrangement in February 1996 covering Landec's medical adhesives technology for use in Asia. The Company received up-front license fees upon execution of the agreement and research and development payments and is entitled to receive future royalties under this agreement. Any fees paid to the Company are non-refundable. Nitta and the Company also entered into another worldwide exclusive agreement on January 1, 1998 in the area of industrial adhesives specific to one field of electronic polishing adhesives. The Company received research and development payments as a part of this agreement.

MEDICAL APPLICATIONS

PORT-TM- OPHTHALMIC DEVICES. Landec developed the PORT (Punctal Occluder for the Retention of Tears) ophthalmic device initially to address a common, yet poorly diagnosed condition known as dry eye that is estimated to affect 30 million Americans annually. The device consists of a physician-applied applicator containing solid Intelimer material that transforms into a flowable, viscous state when heated slightly above body temperature. After inserting the Intelimer material into the lacrimal drainage duct, it quickly solidifies into a form-fitting, solid plug. Occlusion of the

lacrimal drainage duct allows the patient to retain tear fluid and thereby provides relief and therapy to the dry eye patient.

The PORT product is currently in human clinical trials. Landec and its partner, Alcon, a wholly-owned subsidiary of Nestle S.A., believe that PORT plugs will have additional ophthalmic applications beyond the dry eye market. This would include applications for people who cannot wear contact lenses due to limited tear fluid retention and patients receiving therapeutic drugs via eye drops that require longer retention in the eye.

In December 1997, Landec licensed the rights to worldwide manufacturing, marketing and distribution of its PORT ophthalmic device to Alcon. Under the terms of the transaction, Landec received an up-front cash payment of \$500,000, a \$1 million milestone payment in November 1998, research and development funding and will receive ongoing royalties of 12.5% on product sales of each PORT device over an approximately 15-year period. In September 1999, Alcon submitted a 510K application to the FDA seeking approval to commercially sell the PORT device. Landec will continue to provide development support on a contract basis through the FDA approval process and product launch.

CONVATEC. On October 11, 1999, the Company entered into a joint development agreement with ConvaTec, a division of Bristol Myers Squibb, under which Landec will develop adhesive film products for selected ConvaTec medical products. Landec is receiving support funding for this program. Upon completion of this agreement, the companies have the option to consider a license and supply agreement where Landec would supply materials to ConvaTec for use in specific medical devices.

SALES AND MARKETING

Each of the Company's core businesses are supported by dedicated sales and marketing resources. The Company intends to develop its internal sales capacity as more products progress toward commercialization and as business volume expands geographically.

FOOD PRODUCTS TECHNOLOGY BUSINESS

In the Intellipac breathable membrane business, there are a limited number of suppliers of fresh-cut produce, most of whom are located in the western United States. The Company currently has a small internal sales force targeted at this concentrated marketplace. Apio has over 22 sales people, located in central California and throughout the U.S., supporting both the traditional produce marketing business and the specialty packaged value-added produce business.

AGRICULTURAL SEED TECHNOLOGY BUSINESS

In preparation for the first launch of coated inbred corn seed products in fiscal year 2000, the Intellicoat seed coating business has identified a small internal sales force to target a very focused group of seed customers. For future coated seed products that are sold directly to farmers, the Company will utilize over 35 direct seed sales consultants located in Monticello, Indiana. These consultants also support Fielder's Choice in its direct marketing of corn seed. Customer contacts are made based on direct responses and inquiries from customers.

OTHER

Dock Resins sales are carried out through a small direct sales group and network of existing manufacturers' representatives and distributed through public warehouses. Sales are supported by internal sales and technical service resources at Dock Resins. Intelimer Polymer Systems sales are made through a small, technically oriented, internal sales organization in the U.S. and in Europe through Akzo Nobel and Aero Consultants Ltd. A.G., international distributors.

MANUFACTURING

Landec intends to control the manufacturing of its own products whenever possible, as it believes that there is considerable manufacturing margin opportunity in its products. In addition, the Company believes that know-how and trade secrets can be better maintained by Landec retaining manufacturing capability in-house.

POLYMER MANUFACTURING - DOCK RESINS CORPORATION

Dock Resins has manufacturing facilities that are flexible and adaptable to a wide range of processes. Its capabilities include various polymerization processes, grafting, dispersing, blending, pilot plant scale-ups and general synthesis. The Company has increased the capacity of these facilities in 1998 and 1999. Dock Resins' policy is to be a leader in safety, health and environmental protection. In 1998 and 1999, Dock Resins passed a voluntary comprehensive health and safety evaluation by the United States Occupational Safety and Health Administration (OSHA). As a result, OSHA awarded recognition to Dock Resins as a Merit Site in 1998 and a Star Site in 1999 in OSHA's Voluntary Protection Program.

FOOD PRODUCTS TECHNOLOGY BUSINESS

The manufacturing process for the Company's initial Intellipac breathable membrane products is comprised of polymer manufacturing, membrane coating and label conversion. The Company currently has the majority of its Intellipac breathable membrane products manufactured by selected outside contract manufacturers. Landec has recently scaled up a significant portion of label conversion manufacturing in Menlo Park to meet the increasing product demand and provide additional developmental capabilities.

Apio processes all of its fresh-cut value-added products in a 35,000 square foot, state-of-the-art processing facility located in Guadalupe, California. The Company is currently running two shifts per day, seven days a week, and utilizes contract laborers from a third party contact labor supplier. Cooling of produce is done through third parties and Apio Cooling, a separate company of which Apio has a 60% ownership interest and is the general partner.

AGRICULTURAL SEED TECHNOLOGY BUSINESS

The Company is currently in the process of scaling up the manufacturing coating process in Menlo Park, California to support the launch of its inbred corn product and extend field trials of its wheat/soybean relay product. Fielder's Choice purchases its hybrid seed corn from an established producer under an exclusive purchase agreement.

GENERAL.

Many of the raw materials used in manufacturing certain of the Company's products are currently purchased from a single source, including certain monomers used to synthesize Intelimer polymers and substrate materials for the Company's breathable membrane products. In addition, virtually all of the hybrid corn varieties sold by Fielder's Choice are purchased from a single source. Upon manufacturing scale-up and as hybrid corn sales increase, the Company may enter into alternative supply arrangements. Although to date the Company has not experienced difficulty acquiring materials for the manufacture of its products nor has Fielder's Choice experienced difficulty in acquiring hybrid corn varieties, no assurance can be given that interruptions in supplies will not occur in the future, that the Company will be able to obtain substitute vendors, or that the Company will be able to procure comparable materials or hybrid corn varieties at similar prices and terms within a reasonable time. Any such interruption of supply could have a material adverse effect on the Company's ability to manufacture and distribute its products and, consequently, could materially and adversely affect the Company's business, operating results and financial condition.

Landec has historically relied on the guidance of Good Manufacturing Practices ("GMP") in developing standardized research and manufacturing processes and procedures. Having entered into licensing agreements for the PORT device, the Company is no longer required to adhere to GMPs. The Company desires to maintain an externally audited quality system and has achieved ISO 9001 registration for the Menlo Park research and development site in

fiscal year 1999. Such registration is required in order for the Company to sell product to certain potential customers, primarily in Europe.

RESEARCH AND DEVELOPMENT

Landec is focusing its research and development resources on both existing and new applications of its Intelimer technology. Expenditures for research and development in fiscal year 1999 were \$5.8 million, compared with \$5.7 million in fiscal year 1998. Fiscal year 1998 expenditures for research and development increased 24% from fiscal year 1997 expenditures of \$4.6 million. In fiscal year 1999, research and development expenditures funded by corporate partners were \$770,000, compared with \$1.4 million in fiscal year 1998 and \$863,000 in fiscal year 1997. The Company may continue to seek funds for applied materials research programs from U.S. government agencies as well as from commercial entities. The Company anticipates that it will continue to have significant research and development expenditures in order to maintain its competitive position with a continuing flow of innovative, high-quality products and services. As of October 31, 1999, Landec had 29 employees engaged in research and development (and a total of eight Ph.D.s in the Company) with experience in polymer and analytical chemistry, product application, product formulation, mechanical and chemical engineering.

COMPETITION

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

PATENTS AND PROPRIETARY RIGHTS

The Company's success depends in large part on its ability to obtain patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties. The Company has been granted eleven U.S. patents with expiration dates ranging from 2006 to 2015 and has filed applications for additional U.S. patents, as well as certain corresponding patent applications outside the United States, relating to the Company's technology. The Company's issued patents include claims relating to compositions, devices and use of a class of temperature sensitive polymers that exhibit distinctive properties of permeability, adhesion and viscosity. There can be no assurance that any of the pending patent applications will be approved, that the Company will develop additional proprietary products that are patentable, that any patents issued to the Company will provide the Company with competitive advantages or will not be challenged by any third parties or that the patents of others will not prevent the commercialization of products incorporating the Company's technology. Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of the Company's products or design around the Company's patents. Any of the foregoing results could have a material adverse effect on the Company's business, operating results and financial condition.

The commercial success of the Company will also depend, in part, on its ability to avoid infringing patents issued to others. The Company has received, and may in the future receive, from third parties, including some of its competitors, notices claiming that it is infringing third party patents or other proprietary rights. If the Company were determined to be infringing any third-party patent, the Company could be required to pay damages, alter its products or processes, obtain licenses or cease certain activities. In addition, if patents are issued to others which contain claims that compete or conflict with those of the Company and such competing or conflicting claims are ultimately determined to be valid, the Company may be required to pay damages, to obtain licenses to these patents, to develop or obtain alternative technology or to cease using such technology. If the Company is required to obtain any licenses, there can

be no assurance that the Company will be able to do so on commercially favorable terms, if at all. The Company's failure to obtain a license to any technology that it may require to commercialize its products could have a material adverse impact on the Company's business, operating results and financial condition.

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

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

GOVERNMENT REGULATIONS

The Company's products and operations are subject to substantial regulation in the United States and foreign countries.

FOOD PRODUCTS TECHNOLOGY BUSINESS

The Company's food packaging products are subject to regulation under the Food, Drug and Cosmetic Act ("FDC Act"). Under the FDC Act any substance that when used as intended may reasonably be expected to become, directly or indirectly, a component or otherwise affect the characteristics of any food may be regulated as a food additive unless the substance is generally recognized as safe. Food additives may be substances added directly to food, such as preservatives, or substances that could indirectly become a component of food, such as waxes, adhesives and packaging materials.

A food additive, whether direct or indirect, must be covered by a specific food additive regulation issued by the FDA. The Company believes its Intellipac breathable membrane products are not subject to regulation as food additives because these products are not expected to become a component of food under their expected conditions of use. If the FDA were to determine that the Company's Intellipac breathable membrane products are food additives, the Company may be required to submit a food additive petition. The food additive petition process is lengthy, expensive and uncertain. A determination by the FDA that a food additive petition is necessary would have a material adverse effect on the Company's business, operating results and financial condition.

The Company's agricultural operations are subject to a variety of environmental laws including the Food Quality Protection Act of 1996, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Federal Insecticide, Fungicide and Rodenticide Act and the Comprehensive Environmental Response, Compensation and Liability Act. Compliance with these laws and related regulations is an ongoing process. Environmental concerns are, however, inherent in most agricultural operations, including those conducted by the Company, and there can be no assurance that the cost of compliance with environmental laws and regulations will not be material. Moreover, it is possible that future developments, such as increasingly strict environmental laws and enforcement policies thereunder, and further restrictions on the use of manufacturing chemicals could result in increased compliance costs.

As a result of the Apio acquisition, the Company is subject to USDA rules and regulations concerning the safety of the food products handled and sold by Apio, and the facilities in which they are packed and processed. Failure to comply with the applicable regulatory requirements can, among other things, result in fines, injunctions, civil penalties, suspensions or withdrawal of regulatory approvals, product recalls, product seizures, including cessation of manufacturing and sales, operating restrictions and criminal prosecution.

AGRICULTURAL SEED TECHNOLOGY BUSINESS

The Company's agricultural products are subject to regulations of the United States Department of Agriculture ("USDA") and the EPA. The Company believes its current Intellicoat seed coatings are not pesticides as defined in the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA") and are not subject to pesticide regulation requirements. The process of meeting pesticide registration requirements is lengthy, expensive and uncertain, and may require additional studies by the Company. There can be no assurance that future products will not be regulated as pesticides. In addition, the Company believes that its Intellicoat seed coatings will not become a component of the agricultural products which are produced from the seeds to which the coatings are applied and therefore are not subject to regulation by the FDA as a food additive. While the Company believes that it will be able to obtain approval from such agencies to distribute its products, there can be no assurance that the Company will obtain necessary approvals without substantial expense or delay, if at all.

POLYMER MANUFACTURE

The Company's manufacture of polymers is subject to regulation by the EPA under the Toxic Substances Control Act ("TSCA"). Pursuant to TSCA, manufacturers of new chemical substances are required to provide a Pre-Manufacturing Notice ("PMN") prior to manufacturing the new chemical substance. After review of the PMN, the EPA may require more extensive testing to establish the safety of the chemical, or limit or prohibit the manufacture or use of the chemical. To date, PMNs submitted by the Company have been approved by the EPA without any additional testing requirements or limitation on manufacturing or use. In addition, the ongoing manufacture of Dock Resins' existing product line is subject to state and federal environmental and safety regulations. No assurance can be given that the EPA will grant similar approval for future PMNs submitted by the Company.

OTHER

The Company and its products under development may also be subject to other federal, state and local laws, regulations and recommendations. Although Landec believes that it will be able to comply with all applicable regulations regarding the manufacture and sale of its products and polymer materials, such regulations are always subject to change and depend heavily on administrative interpretations and the country in which the products are sold. There can be no assurance that future changes in regulations or interpretations made by the FDA, EPA or other regulatory bodies, with possible retroactive effect, relating to such matters as safe working conditions, laboratory and manufacturing practices, environmental controls, fire hazard control, and disposal of hazardous or potentially hazardous substances will not adversely affect the Company's business. There can also be no assurance that the Company will not be required to incur significant costs to comply with such laws and regulations in the future, or that such laws or regulations will not have a material adverse effect upon the Company's ability to do business. Furthermore, the introduction of the Company's products in foreign markets may require obtaining foreign regulatory clearances. There can be no assurance that the Company will be able to obtain regulatory clearances for its products in such foreign markets.

EMPLOYEES

As of October 31, 1999, Landec had 173 full-time employees, of whom 64 were dedicated to research, development, manufacturing, quality control and regulatory affairs and 109 were dedicated to sales, marketing and administrative activities. As of December 31, 1999, with the inclusion of Apio, Landec had 316 full-time employees. Landec intends to recruit additional personnel in connection with the development, manufacturing and marketing of its products. None of Landec's employees is represented by a union, and Landec believes relationships with its employees are good.

ITEM 2. PROPERTIES

The Company has offices in Menlo Park, California, Linden, New Jersey and Monticello, Indiana. During fiscal year 1999, the Landec operations located in Menlo Park, California expanded its warehouse and manufacturing space by 6,000 square feet to support the manufacturing efforts of the Intellipac breathable membrane business. Apio, which was acquired in December 1999, has facilities in Guadalupe and Reedley, California.

These properties are described below:

Location	Business Segment	Ownership	Facilities	Acres of Land	Lease Expiration
Menlo Park, CA	All	Leased	21,000 square feet of office and laboratory space	--	12/31/01(1)
Menlo Park, CA	All	Subleased	11,000 square feet of warehouse and manufacturing space	--	7/31/02(1)
Linden, NJ	Industrial High Performance Materials	Owned	22,000 square feet of office, laboratory, production, warehouse, and ancillary space	2.1	--
Monticello, IN	Agricultural Seed Technology	Owned	19,400 square feet of office space	0.5	--
Guadalupe, CA	Food Products Technology	Owned	94,000 square feet of office space, manufacturing and cold storage.	11.6	--
Reedley, CA	Food Products Technology	Owned	152,600 square feet of office space, manufacturing and cold storage.	19.3	--

(1) Lease contains one two-year renewal option.

ITEM 3. LEGAL PROCEEDINGS

The Company is currently not a party to any material legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of the Company's fiscal year ending October 31, 1999.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Common Stock is traded on the Nasdaq National Market under the symbol "LNDC". The following table sets forth for each period indicated the high and low sales prices for the Common Stock as reported on the Nasdaq National Market.

Fiscal Year 1999

	High ----	Low ---
4th Quarter ending October 31, 1999.....	\$8.41	\$2.63
3rd Quarter ending July 31, 1999.....	\$4.06	\$3.00
2nd Quarter ending April 30, 1999.....	\$5.13	\$3.38
1st Quarter ending January 31, 1999.....	\$6.00	\$4.00

Fiscal Year 1998

	High ----	Low ---
4th Quarter ending October 31, 1998.....	\$6.00	\$3.25
3rd Quarter ending July 31, 1998.....	\$7.25	\$5.50
2nd Quarter ending April 30, 1998.....	\$7.81	\$4.50
1st Quarter ending January 31, 1998.....	\$5.13	\$3.13

There were approximately 136 holders of record of 15,922,331 shares of outstanding Common Stock as of January 7, 2000. Since holders are listed under their brokerage firm's names, the actual number of shareholders is higher. The Company has not paid any dividends on the Common Stock since its inception. The Company presently intends to retain all future earnings, if any, for its business and does not anticipate paying cash dividends on its Common Stock in the foreseeable future.

In connection with the sale of Series D Preferred Stock in July 1993, the Company issued warrants to purchase 186,349 shares of Common Stock at an exercise price of \$4.31 per share for \$5,357 in cash. In a cashless exercise during fiscal year 1998, 46,587 shares were issued in exchange for the warrants.

In October 1998, certain directors and officers of the Company purchased 200,425 shares of Common Stock for between \$3.75 and \$3.94 per share for \$776,000.

Pursuant to a Series A Preferred Stock Purchase Agreement (the "Purchase Agreement") dated November 19, 1999, by and among the Company and Frederick Frank, the Company completed a financing that raised approximately \$10.0 million through a private placement of its Series A-1 Preferred Stock and Series A-2 Preferred Stock (the "Preferred Stock"). Pursuant to the Purchase Agreement, the Company issued 166,667 shares of Preferred stock of the Company at \$60.00 per share (representing 1,666,670 shares of Common Stock on a converted basis).

In connection with the Company's acquisition of Apio on December 2, 1999, the prior owners of Apio received 2.5 million shares of Common Stock. As compensation for services rendered by Lehman Brothers Inc. in connection with the closing of the Apio acquisition, the Company issued 62,500 shares of Common Stock to Lehman Brothers, Inc. at \$6.25 per share.

The issuance of securities in this Item 5 was deemed to be exempt from registration under the Securities Act of 1933, as amended (the "Act"), in reliance on Section 4(2) of the Act as a transaction by an issuer not involving any public offering. The recipients of the securities in such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in such transaction. The recipients were given adequate access to information about the Company.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

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

STATEMENT OF OPERATIONS DATA:	YEAR ENDED OCTOBER 31,				
	1999	1998	1997	1996	1995
	(in thousands, except per share data)				
Revenues:					
Product sales.....	\$ 33,927	\$ 31,664	\$ 8,653	\$ 371	\$ 14
Research and development revenues.....	770	1,352	863	1,096	796
License fees.....	750	500	--	600	2,650
Total revenues.....	35,447	33,516	9,516	2,067	3,460
Operating costs and expenses:					
Cost of product sales.....	21,476	20,308	6,215	422	9
Research and development.....	5,758	5,713	4,608	3,588	3,175
Selling, general and administrative.....	11,192	10,835	4,664	2,367	1,332
Purchased in-process research and development.....	--	--	3,022	--	--
	38,426	36,856	18,509	6,377	4,516
Operating loss.....	(2,979)	(3,340)	(8,993)	(4,310)	(1,056)
Interest income.....	363	737	1,726	1,546	281
Interest expense.....	(99)	(137)	(319)	(59)	(106)
Loss from continuing operations before income taxes..	(2,715)	(2,740)	(7,586)	(2,823)	(881)
Provision for income taxes.....	(54)	(150)	--	--	--
Loss from continuing operations.....	(2,769)	(2,890)	(7,586)	(2,823)	(881)
Discontinued Operations:					
Loss from discontinued QuickCast operations.....	--	--	(1,059)	(1,377)	(1,878)
Gain on disposal of QuickCast operations.....	--	--	70	--	--
Loss from discontinued operations.....	--	--	(989)	(1,377)	(1,878)
Net loss.....	\$ (2,769)	\$ (2,890)	\$ (8,575)	\$ (4,200)	\$ (2,759)
Basic and diluted net loss per share:					
Continuing operations.....	\$ (.21)	\$ (.23)	\$ (.68)	\$ (.37)	\$ (.74)
Discontinued operations.....	--	--	(.09)	(.18)	(1.59)
Basic and diluted net loss per share.....	\$ (.21)	\$ (.23)	\$ (.77)	\$ (.55)	\$ (2.33)
Shares used in computing basic and diluted net loss per share.....	13,273	12,773	11,144	7,699	1,182

BALANCE SHEET DATA:	OCTOBER 31,				
	1999	1998	1997	1996	1995
	(IN THOUSANDS)				
Cash, cash equivalents and short-term investments....	\$ 3,203	\$ 10,177	\$ 14,669	\$ 36,510	\$ 5,549
Total assets.....	40,708	42,356	50,160	38,358	7,347
Redeemable convertible preferred stock.....	--	--	--	--	31,276
Accumulated deficit.....	(45,528)	(42,756)	(39,858)	(31,278)	(26,538)
Total shareholders' equity (net capital deficiency)..	\$ 31,761	\$ 33,688	\$ 35,615	\$ 36,640	\$ (26,429)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements contained in Item 8 of this report. Except for the historical information contained herein, the matters discussed in this report are forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Potential risks and uncertainties include, without limitation, those mentioned in this report and, in particular, the factors described below under "Additional Factors That May Affect Future Results".

OVERVIEW

Since its inception in October 1986, the Company has been primarily engaged in the research and development of its Intelimer technology and related products. The Company has launched four product lines from this core development QuickCast-TM- splints and casts, in April 1994, which was subsequently sold to Bissell Healthcare Corporation in August 1997; Intellipac breathable membranes for the fresh-cut produce packaging market, in September 1995; Intelimer Polymer Systems for the industrial specialties market in June 1997; and Intellicoat coated inbred corn seeds in the Fall of 1999.

On December 2, 1999, the Company acquired Apio, Inc and certain related entities ("Apio"). Apio is a leading marketer and packer of produce and specialty packaged fresh-cut vegetables. See "Business - Description of Core Business: Food Products Technology Business - Apio, Inc.

During fiscal years 1997 through 1999, the Company managed its operations in three business segments - Food Products Technology, Agricultural Seed Technology and Industrial High Performance Materials.

With the acquisition of Apio, the Company will be focusing on two vertically integrated core businesses - Food Products Technology and Agricultural Seed Technology. The Food Products Technology segment combines the Company's Intellipac breathable membrane technology with Apio's fresh-cut produce business. The Agricultural Seed Technology segment integrates the Intellicoat seed coating technology with Fielder's Choice's direct marketing, telephonic sales and e-commerce distribution capabilities. The Company also operates a Technology Licensing/Research and Development business which develops products to be licensed outside of the Company's core businesses.

Dock Resins, the Company's polymer manufacturer supports the needs of these core businesses and manufactures products for the specialty polymer industry and Intelimer Polymer Systems customers.

The Company has been unprofitable during each fiscal year since its inception. From inception through October 31, 1999, the Company's accumulated deficit was \$45.5 million. The Company may incur additional losses in the future. The amount of future net profits, if any, is highly uncertain and there can be no assurance that the Company will be able to reach or sustain profitability for an entire fiscal year.

RESULTS OF OPERATIONS

The Company's results of operations reflect only the continuing operations of the Company and do not include the results of the discontinued QuickCast operation.

FISCAL YEAR ENDED OCTOBER 31, 1999 COMPARED TO FISCAL YEAR ENDED OCTOBER 31, 1998

Total revenues were \$35.4 million for fiscal year 1999 compared to \$33.5 million for fiscal year 1998. Revenues from product sales increased to \$33.9 million in fiscal year 1999 from \$31.7 million in fiscal year 1998 primarily due to increased product sales from Fielder's Choice and Intellipac breathable membrane products which increased from \$13.3 million and \$2.9 million, respectively, in fiscal year 1998 to \$15.2 million and \$4.5 million, respectively, during fiscal year 1999. The increase in Fielder's Choice revenues was primarily due to increased per unit sales prices, and the increase in Intellipac breathable membrane revenues was primarily due to the introduction of various new products and increased volumes for existing products. These increases were partially offset by a decrease in Dock Resins product sales from \$15.4 million during fiscal year 1998 to \$14.0 million during fiscal year 1999. This decrease is a result of the overall weakness in the chemical industry during fiscal year 1999. Revenues from research and development funding were \$770,000 for fiscal year 1999 compared to \$1.4 million for fiscal year 1998. The decrease in research and development revenues was primarily due to the completion of research and development arrangements with Hitachi Chemical and Nitta Corporation in fiscal year 1998. Revenues from license fees during fiscal year 1999 were \$750,000 compared to \$500,000 during fiscal year 1998. The increase in revenues from license fees was due to a payment received from Alcon in fiscal year 1999 upon meeting a certain milestone related to the licensing agreement for the PORT ophthalmic devices. With the acquisition of Apio, the Company expects future revenues to be significantly higher.

Cost of product sales consists of material, labor and overhead. Cost of product sales was \$21.5 million for fiscal year 1999 compared to \$20.3 million for fiscal year 1998. Cost of product sales as a percentage of product sales decreased to 63% in fiscal year 1999 from 64% in fiscal year 1998. The decrease in the cost of product sales as a percentage of product sales in fiscal year 1998 as compared to fiscal year 1999 was primarily the result of higher average selling prices of Fielder's Choice products, partially offset by start-up costs associated with establishing a new manufacturing facility in Menlo Park for Intellipac breathable membrane products. The Company anticipates future cost of product sales, in absolute dollars, to be significantly higher due to the acquisition of Apio. Cost of product sales as a percentage of product sales is expected to increase due to Apio's current mix of products having lower percentage margins than Landec's other businesses. However, gross margins in absolute dollars are expected to significantly increase due to Apio's high sales volume.

Research and development expenses were \$5.8 million for fiscal year 1999 compared to \$5.7 million for fiscal year 1998. The Company's research and development expenses consist primarily of expenses involved in product development process scale-up, patent activities related to the Company's side chain crystallizable polymer technology, and research and development expenses related to Dock Resins products. The increase in research and development expenses in fiscal year 1999 compared to fiscal year 1998 was primarily due to increased development costs for the Company's Intellicoat seed coating products, partially offset by a reduction in costs in the Industrial High Performance Materials area. In future periods, the Company expects that spending for research and development will continue to increase in absolute dollars, although it will decrease significantly as a percentage of total revenues due to the acquisition of Apio.

Selling, general and administrative expenses were \$11.2 million for fiscal year 1999 compared to \$10.8 million for fiscal year 1998, an increase of 4%. Selling, general and administrative expenses consist primarily of sales and marketing expenses associated with the Company's product sales, business development expenses, and staff and administrative expenses. Specifically, sales and marketing expenses increased to \$6.2 million for fiscal year 1999, from \$5.9 million for fiscal year 1998. Beginning fiscal year 2000, total selling, general and administrative spending is expected to increase significantly, due to the acquisition of Apio, although as a percentage of total revenues it is expected to decrease.

Net interest income was \$264,000 for fiscal year 1999 compared to \$600,000 for fiscal year 1998. The decrease during fiscal year 1999 as compared to fiscal year 1998 was due principally to less cash being available for investing.

FISCAL YEAR ENDED OCTOBER 31, 1998 COMPARED TO FISCAL YEAR ENDED OCTOBER 31, 1997

Total revenues were \$33.5 million for fiscal year 1998 compared to \$9.5 million for fiscal year 1997. Revenues from product sales increased to \$31.7 million in fiscal year 1998 from \$8.7 million in fiscal year 1997 due primarily to \$13.3 million of product sales from Fielder's Choice, which was acquired in September 1997; and an increase of \$8.0 million of product sales from Dock Resins, which was acquired in April 1997. Also contributing to the increase were Intellipac breathable membrane product sales which increased from \$1.2 million in fiscal year 1997 to \$2.9 million in fiscal year 1998, due primarily to an increase in unit sales and the introduction of several new products. Revenues from research and development funding were \$1.4 million for fiscal year 1998 compared to \$863,000 for fiscal year 1997. The increase in research and development revenues was primarily due to the agreement with Alcon for the funding of the PORT program. Revenues from license fees during fiscal year 1998 were \$500,000 compared to none during fiscal year 1997. The increase in license fees revenue was due to a payment in the first quarter of fiscal year 1998 under the PORT license agreement with Alcon.

Cost of product sales consists of material, labor and overhead. Cost of product sales was \$20.3 million for fiscal year 1998 compared to \$6.2 million for fiscal year 1997. Cost of product sales as a percentage of product sales decreased to 64% in fiscal year 1998 from 72% in fiscal year 1997. The decrease in the cost of product sales as a percentage of product sales in fiscal year 1998 as compared to fiscal year 1997 was primarily the result of higher margins resulting from product sales of Fielder's Choice and Dock Resins products.

Research and development expenses were \$5.7 million for fiscal year 1998 compared to \$4.6 million for fiscal year 1997, an increase of 24%. The increase in research and development expenses in fiscal year 1998 compared to fiscal year 1997 was primarily due to increased development costs for the Company's Intellipac and Intellicoat seed coating products and a full year of development costs related to Dock Resins products.

Selling, general and administrative expenses were \$10.8 million for fiscal year 1998 compared to \$4.7 million for fiscal year 1997, an increase of 130%. Selling, general and administrative expenses increased primarily as a result of an entire year of expenses and amortization of goodwill for Dock Resins and Fielder's Choice, which were acquired during fiscal year 1997. Specifically, sales and marketing expenses increased to \$5.9 million for fiscal year 1998, from \$1.8 million for fiscal year 1997.

Net interest income was \$600,000 for fiscal year 1998 compared to \$1.4 million for fiscal year 1997. The decrease during fiscal year 1998 as compared to fiscal year 1997 was due principally to less cash being available for investing.

LIQUIDITY AND CAPITAL RESOURCES

As of October 31, 1999 the Company had cash, cash equivalents and short-term investments of \$3.2 million, a net decrease of \$7.0 million from \$10.2 million as of October 31, 1998. This decrease was primarily due to cash used in operations of \$3.6 million and the purchase of \$3.7 million of property, plant and equipment partially offset by cash provided by financing activities of approximately \$710,000 from primarily the sale of Common Stock and repayment of notes receivable from shareholders. The cash used in operations was primarily comprised of planned purchases of Fielder's Choice corn seed inventory to support the fiscal year 2000 growing season and deferred expenses associated with the Apio acquisition which were recorded to other current assets.

The majority of the Company's \$3.7 million of property and equipment expenditures during fiscal year 1999 was incurred for building improvement and equipment upgrade expenditures at Dock Resins to expand capacity, and purchasing quality assurance equipment to support the development of Intellipac and Intellicoat products.

Subsequent to fiscal year end, and as a result of raising \$10 million upon the sale of Preferred Stock and securing a new \$11.25 million term debt agreement to acquire Apio, Inc., the Company's cash balance increased to over \$8 million. In addition, Apio entered into a new \$12 million line of credit agreement with Bank of America. The term debt and line of credit agreements ("loan agreements") contain restrictive covenants which require Apio to meet certain financial tests, including minimum levels of EBITDA, minimum fixed charge coverage ratio, minimum current ratio, minimum adjusted net worth and maximum leverage ratios. These requirements and ratios generally become more restrictive over time. The loan agreement, through restricted payment covenants, limits the ability of Apio to make cash payments to Landec, until the outstanding balance is reduced to an amount specified in the loan agreement.

In addition to the cash raised during the acquisition of Apio Inc., the Company is currently in the process of establishing a credit facility to be used to fund the expansion of the manufacturing capabilities of Intellicoat seed coating products. The Company believes that with these new facilities, along with existing cash and cash equivalents will be sufficient to finance operational and capital requirements for the foreseeable future. The Company may, however, raise additional funds during the next twelve months through an equity financing. If such financing does occur it will have a dilutive effect on current shareholders. The Company's future capital requirements will depend on numerous factors, including the progress of its research and development programs; the development of commercial scale manufacturing capabilities; the development of marketing, sales and distribution capabilities; the ability of the Company to maintain existing collaborative and licensing arrangements and establish and maintain new collaborative and licensing arrangements; the timing and amount, if any, of payments received under licensing and research and development agreements; the costs involved in preparing, filing, prosecuting, defending and enforcing intellectual property rights; the ability to comply with regulatory requirements; the emergence of competitive technology and market forces; the effectiveness of product commercialization activities and arrangements; the seasonal needs to fund growing costs to ensure adequate and consistent supply of produce; and other factors. If the Company's currently available funds, together with the internally generated cash flow from operations, are not sufficient to satisfy its financing needs, the Company would be required to seek additional funding through other arrangements with collaborative partners, bank borrowings and public or private sales of its securities. There can be no assurance that additional funds, if required, will be available to the Company on favorable terms if at all.

ADDITIONAL FACTORS THAT MAY AFFECT FUTURE RESULTS

The Company desires to take advantage of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995 and of Section 21E and Rule 3b-6 under the Securities Exchange Act of 1934. Specifically, the Company wishes to alert readers that the following important factors, as well as other factors including, without limitation, those described elsewhere in this report, could in the future affect, and in the past have affected, the Company's actual results and could cause the Company's results for future periods to differ materially from those expressed in any forward-looking statements made by or on behalf of the Company. The Company assumes no obligation to update such forward-looking statements.

HISTORY OF OPERATING LOSSES AND ACCUMULATED DEFICIT. The Company has incurred net losses in each fiscal year since its inception, including a net loss of \$2.8 million for fiscal year 1999. The Company's accumulated deficit as of October 31, 1999 totaled \$45.5 million. The Company may incur additional losses in the future. The amount of future net profits, if any, is highly uncertain and there can be no assurance that the Company will be able to reach or sustain profitability for an entire fiscal year.

THE COMPANY'S SUBSTANTIAL INDEBTEDNESS COULD LIMIT ITS FINANCIAL AND OPERATING FLEXIBILITY AND SUBJECT IT TO OTHER RISKS. Upon the closing of the Apio acquisition, the Company's total debt, including current maturities and capital lease obligations, increased to approximately \$22 million and the total debt to equity ratio was approximately 40%. This level of indebtedness could have significant consequences because:

- a substantial portion of the Company's net cash flow from operations must be dedicated to debt service and will not be available for other purposes;

- the Company's ability to obtain additional debt financing in the future for working capital, capital expenditures or acquisitions may be limited; and
- the Company's level of indebtedness may limit its flexibility in reacting to changes in the industry and economic conditions generally.

The Company's ability to service its indebtedness will depend on its future performance, which will be affected by prevailing economic conditions and financial, business and other factors, some of which are beyond the Company's control. If the Company were unable to service its debt, it would be forced to pursue one or more alternative strategies such as selling assets, restructuring or refinancing its indebtedness or seeking additional equity capital, which might not be successful and which could substantially dilute the ownership interest of existing shareholders.

In addition, Apio is subject to various financial and operating covenants under its term debt and line of credit facilities (the "loan agreement"), including minimum levels of EBITDA, minimum fixed charge coverage ratio, minimum current ratio, minimum adjusted net worth and maximum leverage ratios. These requirements and ratios generally become more restrictive over time. The loan agreement limits the ability of Apio to make cash payments to Landec until the outstanding balance is reduced to an amount specified in the loan agreement. The Company has pledged substantially all of Apio's assets to secure its bank debt. The Company's failure to comply with the obligations under the loan agreement, including maintenance of financial ratios, could result in an event of default, which, if not cured or waived, would permit acceleration of the indebtedness due under the loan agreement. Any such violations of its obligations under the loan agreement could have a material adverse effect on the Company's business, results of operations and financial condition.

QUARTERLY FLUCTUATIONS IN OPERATING RESULTS. In the past, the Company's results of operations have varied significantly from quarter to quarter and such fluctuations are expected to continue in the future. Historically, the Company's corn seed distributor, Fielder's Choice, has been the primary source of these fluctuations, as its revenues and profits are concentrated over a few months during the spring planting season (generally during the Company's second quarter). In addition, Apio can be heavily affected by seasonal and weather factors which could impact quarterly results. The Company's earnings in its Food Products Technology business will be sensitive to price fluctuations in the fresh vegetables and fruits markets. Excess supplies can cause intense price competition. Other factors affecting the Company's food and/or agricultural operations include the seasonality of its supplies, the ability to process produce during critical harvest periods, the timing and effects of ripening, the degree of perishability, the effectiveness of worldwide distribution systems, the terms of various federal and state marketing orders, total worldwide industry volumes, the seasonality of consumer demand, foreign currency fluctuations, foreign importation restrictions and foreign political risks. As a result of these and other factors, the Company expects to continue to experience fluctuations in quarterly operating results, and there can be no assurance that the Company will be able to reach or sustain profitability for an entire fiscal year.

UNCERTAINTY RELATING TO INTEGRATION OF APIO AND OTHER NEW BUSINESS ACQUISITIONS. The Company's acquisition of Apio involves the integration of Apio's operations into the Company. The integration will require the dedication of management resources in order to achieve the anticipated operating efficiencies of the acquisition. No assurance can be given that difficulties encountered in integrating the operations of Apio into the Company will be overcome or that the benefits expected from such integration will be realized. The difficulties in combining Apio and the Company's operations are exacerbated by the necessity of coordinating geographically separate organizations, integrating personnel with disparate business backgrounds and combining different corporate cultures. The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of the combined company's business. Difficulties encountered or additional costs incurred in connection with the acquisition and the integration of the operations of Apio and the Company could have a material adverse effect on the business, results of operations and financial condition of the Company.

The successful integration of other new business acquisitions may require substantial effort from the Company's management. The diversion of the attention of management and any difficulties encountered in the transition process could have a material adverse effect on the Company's ability to realize the anticipated benefits of

the acquisitions. The successful combination of new businesses also requires coordination of research and development activities, manufacturing, and sales and marketing efforts. In addition, the process of combining organizations could cause the interruption of, or a loss of momentum in, the Company's activities. There can be no assurance that the Company will be able to retain key management, technical, sales and customer support personnel, or that the Company will realize the anticipated benefits of the acquisitions, and the failure to do so would have a material adverse effect on the Company's business, results of operations and financial condition.

EARLY COMMERCIALIZATION OF CERTAIN PRODUCTS; DEPENDENCE ON NEW PRODUCTS AND TECHNOLOGIES; UNCERTAINTY OF MARKET ACCEPTANCE. The Company is in the early stage of product commercialization of certain Intellipac breathable membrane, Intellicoat seed coating and Intelimer polymer systems products and many of its potential products are in development. The Company believes that its future growth will depend in large part on its ability to develop and market new products in its target markets and in new markets. In particular, the Company expects that its ability to compete effectively with existing food products, agricultural, industrial and medical companies will depend substantially on successfully developing, commercializing, achieving market acceptance of and reducing the cost of producing the Company's products. In addition, commercial applications of the Company's temperature switch polymer technology are relatively new and evolving. There can be no assurance that the Company will be able to successfully develop, commercialize, achieve market acceptance of or reduce the costs of producing the Company's new products, or that the Company's competitors will not develop competing technologies that are less expensive or otherwise superior to those of the Company. There can be no assurance that the Company will be able to develop and introduce new products and technologies in a timely manner or that new products and technologies will gain market acceptance. The failure to develop and successfully market new products would have a material adverse effect on the Company's business, results of operations and financial condition.

The success of the Company in generating significant sales of its products will depend in part on the ability of the Company and its partners and licensees to achieve market acceptance of the Company's new products and technology. The extent to which, and rate at which, market acceptance and penetration are achieved by the Company's current and future products are a function of many variables including, but not limited to, price, safety, efficacy, reliability, conversion costs and marketing and sales efforts, as well as general economic conditions affecting purchasing patterns. There can be no assurance that markets for the Company's new products will develop or that the Company's new products and technology will be accepted and adopted. The failure of the Company's new products to achieve market acceptance would have a material adverse effect on the Company's business, results of operations and financial condition.

COMPETITION AND TECHNOLOGICAL CHANGE. The Company operates in highly competitive and rapidly evolving fields, and new developments are expected to continue at a rapid pace. Competition from large food products, agricultural, industrial and medical companies is expected to be intense. In addition, the nature of the Company's collaborative arrangements may result in its corporate partners and licensees becoming competitors of the Company. Many of these competitors have substantially greater financial and technical resources and production and marketing capabilities than the Company, and may have substantially greater experience in conducting clinical and field trials, obtaining regulatory approvals and manufacturing and marketing commercial products. There can be no assurance that these competitors will not succeed in developing alternative technologies and products that are more effective, easier to use or less expensive than those which have been or are being developed by the Company or that would render the Company's technology and products obsolete and non-competitive.

LIMITED MANUFACTURING EXPERIENCE; DEPENDENCE ON THIRD PARTIES. The Company's success is dependent in part upon its ability to manufacture its products in commercial quantities in compliance with regulatory requirements and at acceptable costs. There can be no assurance that the Company will be able to achieve this.

Although the Company believes Dock Resins will provide Landec with practical knowledge in the scale-up of Intelimer polymer products, production in commercial-scale quantities may involve technical challenges for the Company. The Company anticipates that a portion of the Company's products will be manufactured in the Linden, New Jersey facility acquired in the purchase of Dock Resins. The Company's reliance on this facility involves a number of potential risks, including the unavailability of, or interruption in access to, certain process technologies and reduced control over delivery schedules, and low manufacturing yields and high manufacturing costs. The

Company may also need to consider seeking collaborative arrangements with other companies to manufacture certain of its products. If the Company becomes dependent upon third parties for the manufacture of its products, then the Company's profit margins and its ability to develop and deliver such products on a timely basis may be adversely affected. Moreover, there can be no assurance that such parties will adequately perform and any failures by third parties may impair the Company's ability to deliver products on a timely basis, impair the Company's competitive position, or may delay the submission of products for regulatory approval. In late fiscal 1999, in an effort to reduce reliance on third party manufacturers, the Company began the set up of a manufacturing operation at its facility in Menlo Park, California, for the production of Intellipac breathable membrane products. There can be no assurance that the Company can successfully operate a manufacturing operation at acceptable costs, with acceptable yields, and retain adequately trained personnel. The occurrence of any of these factors could have a material adverse effect on the Company's business, results of operations and financial condition.

DEPENDENCE ON SINGLE SOURCE SUPPLIERS. Many of the raw materials used in manufacturing certain of the Company's products are currently purchased from a single source, including certain monomers used to synthesize Intelimer polymers and substrate materials for the Company's breathable membrane products. In addition, virtually all of the hybrid corn varieties sold by Fielder's Choice are purchased from a single source. Upon manufacturing scale-up and as hybrid corn sales increase, the Company may enter into alternative supply arrangements. Although to date the Company has not experienced difficulty acquiring materials for the manufacture of its products nor has Fielder's Choice experienced difficulty in acquiring hybrid corn varieties, no assurance can be given that interruptions in supplies will not occur in the future, that the Company will be able to obtain substitute vendors, or that the Company will be able to procure comparable materials or hybrid corn varieties at similar prices and terms within a reasonable time. Any such interruption of supply could have a material adverse effect on the Company's ability to manufacture and distribute its products and, consequently, could materially and adversely affect the Company's business, results of operations and financial condition.

PATENTS AND PROPRIETARY RIGHTS. The Company's success depends in large part on its ability to obtain patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties. There can be no assurance that any pending patent applications will be approved, that the Company will develop additional proprietary products that are patentable, that any patents issued to the Company will provide the Company with competitive advantages or will not be challenged by any third parties or that the patents of others will not prevent the commercialization of products incorporating the Company's technology. Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of the Company's products or design around the Company's patents. The Company has received, and may in the future receive, from third parties, including some of its competitors, notices claiming that it is infringing third party patents or other proprietary rights. If the Company were determined to be infringing any third-party patent, the Company could be required to pay damages, alter its products or processes, obtain licenses or cease certain activities. If the Company is required to obtain any licenses, there can be no assurance that the Company will be able to do so on commercially favorable terms, if at all. Litigation, which could result in substantial costs to and diversion of effort by the Company, may also be necessary to enforce any patents issued or licensed to the Company or to determine the scope and validity of third-party proprietary rights. Any such litigation or interference proceeding, regardless of outcome, could be expensive and time consuming and could subject the Company to significant liabilities to third parties, require disputed rights to be licensed from third parties or require the Company to cease using such technology and, consequently, could have a material adverse effect on the Company's business, results of operations and financial condition. See "Business - Patents and Proprietary Rights" in Item 1.

ENVIRONMENTAL REGULATIONS. Federal, state and local regulations impose various environmental controls on the use, storage, discharge or disposal of toxic, volatile or otherwise hazardous chemicals and gases used in certain manufacturing processes, including those utilized by Dock Resins. As a result of historic off-site disposal practices, Dock Resins was recently involved in two actions seeking to compel the generators of hazardous waste to remediate hazardous waste sites. Dock Resins has been informed by its counsel that it was a DE MINIMIS generator to these sites, and these actions have been settled without the payment of any material amount by the Company. In addition, the New Jersey Industrial Site Recovery Act ("ISRA") requires an investigation and remediation of any industrial establishment, like Dock Resins, which changes ownership. This statute was activated by the Company's acquisition of Dock Resins. Dock Resins has completed its investigation of the site, delineated the limited areas of

concern on the site, and completed the bulk of the active remediation required under the statute. The costs associated with this effort are being borne by the former owner of Dock Resins, and counsel has advised Dock Resins and the Company that funds of the former owner required by ISRA to be set aside for this effort are sufficient to pay for the successful completion of remedial activities at the site. In most cases, the Company believes its liability will be limited to sharing clean-up or other remedial costs with other potentially responsible parties. Any failure by the Company to control the use of, or to restrict adequately the discharge of, hazardous substances under present or future regulations could subject it to substantial liability or could cause its manufacturing operations to be suspended and could have a material adverse effect on the Company's business, operating results and financial condition. There can be no assurance that changes in environmental regulations will not impose the need for additional capital equipment or other requirements.

The Company's agricultural operations are subject to a variety of environmental laws including the Food Quality Protection Act of 1996, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Federal Insecticide, Fungicide and Rodenticide Act and the Comprehensive Environmental Response, Compensation and Liability Act. Compliance with these laws and related regulations is an ongoing process. Environmental concerns are, however, inherent in most agricultural operations, including those conducted by the Company, and there can be no assurance that the cost of compliance with environmental laws and regulations will not be material. Moreover, it is possible that future developments, such as increasingly strict environmental laws and enforcement policies thereunder, and further restrictions on the use of manufacturing chemicals could result in increased compliance costs.

ADVERSE GROWING CONDITIONS. The Company's Food Products and Agricultural Seed Technology businesses are subject to weather conditions that affect commodity prices, crop yields, and decisions by growers regarding crops to be planted. Crop diseases and severe conditions, particularly weather conditions such as floods, droughts, frosts, windstorms and hurricanes may adversely affect the supply of vegetables and fruits used in the Company's business, reduce the sales volumes and increase the unit production costs. Because a significant portion of the costs are fixed and contracted in advance of each operating year, volume declines due to production interruptions or other factors could result in increases in unit production costs which could result in substantial losses and weaken the Company's financial condition. If the supply of any of the Company's products is adversely affected by the adverse conditions, there can be no assurance that the Company will be able to obtain sufficient supplies from alternative sources.

LIMITED SALES AND MARKETING EXPERIENCE. The Company has only limited experience marketing and selling its Intelimer polymer products. While Dock Resins will provide consultation and in some cases direct marketing support for Landec's Intelimer polymer products, establishing sufficient marketing and sales capability will require significant resources. The Company intends to distribute certain of its products through its corporate partners and other distributors and to sell certain other products through a direct sales force. There can be no assurance that the Company will be able to recruit and retain skilled sales management, direct salespersons or distributors, or that the Company's sales and marketing efforts will be successful. To the extent that the Company has entered into or will enter into distribution or other collaborative arrangements for the sale of its products, the Company will be dependent on the efforts of third parties. There can be no assurance that such sales and marketing efforts will be successful and any failure in such efforts could have a material adverse effect on the Company's business, operating results and financial condition.

DEPENDENCE ON COLLABORATIVE PARTNERS AND LICENSEES. For certain of its current and future products, the Company's strategy for development, clinical and field testing, manufacture, commercialization and marketing includes entering into various collaborations with corporate partners, licensees and others. The Company is dependent on its corporate partners to develop, test, manufacture and/or market certain of its products. Although the Company believes that its partners in these collaborations have an economic motivation to succeed in performing their contractual responsibilities, the amount and timing of resources to be devoted to these activities are not within the control of the Company. There can be no assurance that such partners will perform their obligations as expected or that the Company will derive any additional revenue from such arrangements. There can be no assurance that the Company's partners will pay any additional option or license fees to the Company or that they will develop, market or pay any royalty fees related to products under the agreements. Moreover, certain of the collaborative agreements provide that they may be terminated at the discretion of the corporate partner, and certain

of the collaborative agreements provide for termination under certain other circumstances. In addition, there can be no assurance as to the amount of royalties, if any, on future sales of QuickCast and PORT products as the Company no longer has control over the sales of such products since the sale of QuickCast and the license of the PORT product lines. There can be no assurance that the Company's partners will not pursue existing or alternative technologies in preference to the Company's technology. Furthermore, there can be no assurance that the Company will be able to negotiate additional collaborative arrangements in the future on acceptable terms, if at all, or that such collaborative arrangements will be successful.

GOVERNMENT REGULATION. The Company's products and operations are subject to governmental regulation in the United States and foreign countries. The manufacture of the Company's products is subject to periodic inspection by regulatory authorities. There can be no assurance that the Company will be able to obtain necessary regulatory approvals on a timely basis or at all. Delays in receipt of or failure to receive such approvals or loss of previously received approvals would have a material adverse effect on the Company's business, financial condition and results of operations. Although Landec has no reason to believe that it will not be able to comply with all applicable regulations regarding the manufacture and sale of its products and polymer materials, such regulations are always subject to change and depend heavily on administrative interpretations and the country in which the products are sold. There can be no assurance that future changes in regulations or interpretations relating to such matters as safe working conditions, laboratory and manufacturing practices, environmental controls, and disposal of hazardous or potentially hazardous substances will not adversely affect the Company's business. There can be no assurance that the Company will not be required to incur significant costs to comply with such laws and regulations in the future, or that such laws or regulations will not have a material adverse effect on the Company's business, operating results and financial condition. As a result of the Apio acquisition, the Company is subject to USDA rules and regulations concerning the safety of the food products handled and sold by Apio, and the facilities in which they are packed and processed. Failure to comply with the applicable regulatory requirements can, among other things, result in fines, injunctions, civil penalties, suspensions or withdrawal of regulatory approvals, product recalls, product seizures, including cessation of manufacturing and sales, operating restrictions and criminal prosecution. See "Business - Governmental Regulations" in Item 1.

INTERNATIONAL OPERATIONS AND SALES. In fiscal years 1999 and 1998, approximately 2.3% of the Company's total revenues were derived from product sales to and collaborative agreements with international customers. The Company expects that with the acquisition of Apio and its export business, international revenues will become an important component of its total revenues. A number of risks are inherent in international transactions. International sales and operations may be limited or disrupted by the regulatory approval process, government controls, export license requirements, political instability, price controls, trade restrictions, changes in tariffs or difficulties in staffing and managing international operations. Foreign regulatory agencies have or may establish product standards different from those in the United States, and any inability to obtain foreign regulatory approvals on a timely basis could have a material adverse effect on the Company's international business and its financial condition and results of operations. While the Company's foreign sales are currently priced in dollars, fluctuations in currency exchange rates, such as those recently experienced in many Asian countries which comprise a part of the territories of certain of the Company's collaborative partners and Apio's export business, may reduce the demand for the Company's products by increasing the price of the Company's products in the currency of the countries to which the products are sold. There can be no assurance that regulatory, geopolitical and other factors will not adversely impact the Company's operations in the future or require the Company to modify its current business practices.

CUSTOMER CONCENTRATION. For the fiscal year 1999, sales to the Company's top five customers accounted for approximately 28% of the Company's product sales with the top customer accounting for 10% of the Company's product sales. The Company expects that for the foreseeable future a limited number of customers may continue to account for a substantial portion of its net revenues. The Company may experience changes in the composition of its customer base, as Apio, Dock Resins and Fielder's Choice have experienced in the past. The Company does not have long-term purchase agreements with any of its customers. The reduction, delay or cancellation of orders from one or more major customers for any reason or the loss of one or more of such major customers could materially and adversely affect the Company's business, operating results and financial condition. In addition, since certain products manufactured in the Linden, New Jersey facility or processed by Apio at its Guadalupe, California facility

are often sole sourced to its customers, the Company's operating results could be adversely affected if one or more of its major customers were to develop other sources of supply. There can be no assurance that the Company's current customers will continue to place orders, that orders by existing customers will not be canceled or will continue at the levels of previous periods or that the Company will be able to obtain orders from new customers.

PRODUCT LIABILITY EXPOSURE AND AVAILABILITY OF INSURANCE. The testing, manufacturing, marketing, and sale of the products being developed by the Company involve an inherent risk of allegations of product liability. While no product liability claims have been made against the Company to date, if any such claims were made and adverse judgments obtained, they could have a material adverse effect on the Company's business, operating results and financial condition. Although the Company has taken and intends to continue to take what it believes are appropriate precautions to minimize exposure to product liability claims, there can be no assurance that it will avoid significant liability. The Company currently maintains medical and non-medical product liability insurance with limits in the amount of \$4.0 million per occurrence and \$5.0 million in the annual aggregate. In addition, Apio has product liability insurance with limits in the amount of \$41.0 million per occurrence and \$42.0 million in the annual aggregate. There can be no assurance that such coverage is adequate or will continue to be available at an acceptable cost, if at all. A product liability claim, product recall or other claim with respect to uninsured liabilities or in excess of insured liabilities could have a material adverse effect on the Company's business, operating results and financial condition.

POSSIBLE VOLATILITY OF STOCK PRICE. Factors such as announcements of technological innovations, the attainment of (or failure to attain) milestones in the commercialization of the Company's technology, new products, new patents or changes in existing patents, the acquisition of new businesses or the sale or disposal of a part of the Company's businesses, or development of new collaborative arrangements by the Company, its competitors or other parties, as well as government regulations, investor perception of the Company, fluctuations in the Company's operating results and general market conditions in the industry may cause the market price of the Company's Common Stock to fluctuate significantly. In addition, the stock market in general has recently experienced extreme price and volume fluctuations, which have particularly affected the market prices of technology companies and which have been unrelated to the operating performance of such companies. These broad fluctuations may adversely affect the market price of the Company's Common Stock.

FINANCIAL AND ACCOUNTING CHANGES. In order to address certain deficiencies in Apio's management information systems and accounting systems, Apio has restructured its financial and accounting department, including hiring a chief financial officer and a new controller, and retained consultants who have worked with Apio to improve accounting processes and procedures. Apio management believes that such changes will improve its managing of operations, including delivering complete and accurate financial statements to Landec's corporate offices in a more timely manner. However, the Company can give no assurances that it will be able to effect such changes in the management information systems and accounting systems in a timely manner or that any delay will not have a material adverse effect on our business, financial condition and results of operations.

INTRODUCTION OF THE EURO. On January 1, 1999, certain member states of the European Economic Community fixed their respective currencies to a new currency, commonly known as the "Euro". During the three years beginning on January 1, 1999, business in these countries will be conducted both in the existing national currency, as well as the Euro. Companies operating in or conducting business in these countries will need to ensure that their financial and other software systems are capable of processing transactions and properly handling the existing currencies and the Euro. Based on the current level of direct European business conducted by the Company, and also because the Company expects that any transactions in Europe in the near future will be priced in U.S. dollars, the Company does not expect that introduction and use of the Euro will materially affect the Company's business. The Company will continue to evaluate the impact over time of the introduction of the Euro. However, if the Company encounters unexpected opportunities or difficulties in Europe, the Company's business could be adversely affected, including the inability to bill customers and to pay suppliers for transactions denominated in the Euro and the inability to properly record transactions denominated in the Euro in the Company's financial statements.

IMPACT OF YEAR 2000. The Year 2000 issue concerns the potential inability of computer applications, other information technology systems, and certain software-based "embedded" control systems to recognize and process properly, date-sensitive information in the Year 2000 and beyond. The Company could suffer material adverse impacts on its operations and financial results if the applications and systems used by the Company, or by third parties with whom the Company does business, do not accurately or adequately process or manage dates or other information as a result of the Year 2000 issue.

The Company has certain key relationships with customers, vendors and outside service providers. The Company is primarily relying upon the voluntary disclosures from third parties for this review of their Year 2000 readiness. Failure by the Company's key customers, vendors and outside service providers to adequately address the Year 2000 issue could have a material adverse impact on the Company's operations and financial results.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Item 14 of Part IV of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

This information required by this item is contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than February 28, 2000 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

This information required by this item is contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than February 28, 2000 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

This information required by this item is contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than February 28, 2000 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This information required by this item is contained in the Registrant's definitive proxy statement which the Registrant will file with the Commission no later than February 28, 2000 (120 days after the Registrant's fiscal year end covered by this Report) and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

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(a) 1. Consolidated Financial Statements of Landec Corporation and Subsidiaries	
Report of Ernst & Young LLP Independent Auditors	35
Consolidated Balance Sheets at October 31, 1999 and 1998	36
Consolidated Statement of Operations for the Years Ended October 31, 1999, 1998 and 1997	37
Consolidated Statement of Changes in Shareholders' Equity for the Years Ended October 31, 1999, 1998 and 1997	38
Consolidated Statement of Cash Flows for the Years Ended October 31, 1999, 1998 and 1997	39
Notes to Consolidated Financial Statements	40
2. Schedule II:	
Valuation and Qualifying Accounts for the Years Ended October 31, 1999, 1998 and 1997	55
All other schedules provided for in the applicable accounting regulation of the Securities and Exchange Commission 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 have therefore been omitted.	
(b) Reports on Form 8-K	56
(c) Exhibits	56
The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this report.	

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Board of Directors and Shareholders
Landec Corporation

We have audited the accompanying consolidated balance sheets of Landec Corporation as of October 31, 1999 and 1998, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended October 31, 1999. Our audits also included the financial statement schedule listed in the index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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 at October 31, 1999 and 1998 and the consolidated results of its operations and its cash flows for each of the three years in the period ended October 31, 1999 in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

San Francisco, California
December 6, 1999

LANDEC CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	OCTOBER 31,	
	1999	1998

ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 3,203	\$ 9,185
Short-term investments.....	--	992
Accounts receivable, less allowance for doubtful accounts of \$45 and \$50 at October 31, 1999 and 1998.....	2,952	2,808
Inventory.....	7,641	4,676
Deferred advertising.....	522	394
Related party note receivable.....	138	500
Prepaid expenses and other current assets.....	1,711	1,228

Total current assets.....	16,167	19,783
Property and equipment, net.....	11,002	8,280
Intangible assets, net.....	13,506	14,255
Other assets.....	33	38

	\$ 40,708	\$ 42,356
	=====	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 1,687	\$ 1,399
Accrued compensation.....	1,036	1,017
Other accrued liabilities.....	1,327	942
Deferred revenue.....	2,135	2,499
Current portion of long term debt.....	125	156

Total current liabilities.....	6,310	6,013
Noncurrent portion of long term debt.....	2,637	2,655
Shareholders' equity:		
Preferred stock, \$0.001 par value; 2,000,000 shares authorized, issueable in series.....	--	--
Common stock, \$0.001 par value; 50,000,000 shares authorized; 13,353,352 and 13,159,888 shares issued and outstanding at October 31, 1999 and 1998, respectively.....	77,289	76,821
Notes receivable from shareholders.....	--	(291)
Deferred compensation.....	--	(86)
Accumulated deficit.....	(45,528)	(42,756)

Total shareholders' equity.....	31,761	33,688

	\$ 40,708	\$ 42,356
	=====	

SEE ACCOMPANYING NOTES.

LANDEC CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED OCTOBER 31,		
	1999	1998	1997
Revenues:			
Product sales.....	\$ 33,927	\$ 31,664	\$ 8,653
Research and development revenues.....	770	1,352	863
License fees.....	750	500	--
Total revenues.....	35,447	33,516	9,516
Operating costs and expenses:			
Cost of product sales.....	21,476	20,308	6,215
Research and development.....	5,758	5,713	4,608
Selling, general and administrative.....	11,192	10,835	4,664
Purchased in-process research and development.....	--	--	3,022
Total operating costs and expenses.....	38,426	36,856	18,509
Operating loss.....	(2,979)	(3,340)	(8,993)
Interest income.....	363	737	1,726
Interest expense.....	(99)	(137)	(319)
Loss from continuing operations before income taxes.....	(2,715)	(2,740)	(7,586)
Provision for income taxes.....	(54)	(150)	--
Loss from continuing operations.....	(2,769)	(2,890)	(7,586)
Discontinued Operations:			
Loss from discontinued QuickCast operations.....	--	--	(1,059)
Gain on disposal of QuickCast operations.....	--	--	70
Loss from discontinued operations.....	--	--	(989)
Net loss.....	\$(2,769)	\$(2,890)	\$(8,575)
Basic and diluted net loss per share:			
Continuing operations.....	\$ (.21)	\$ (.23)	\$ (.68)
Discontinued operations.....	--	--	(.09)
Basic and diluted net loss per share.....	\$ (.21)	\$ (.23)	\$ (.77)
Shares used in computing basic and diluted net loss per share.....	13,273	12,773	11,144

SEE ACCOMPANYING NOTES.

LANDEC CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN
SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	SHAREHOLDERS' EQUITY			
	COMMON STOCK		NOTES RECEIVABLE	DEFERRED
	SHARES	AMOUNT	FROM SHAREHOLDERS	COMPENSATION
Balance at October 31, 1996	10,753,711	\$68,242	\$ (13)	\$(311)
Issuance of common stock for acquired businesses ...	1,821,687	7,273	--	--
Issuance of common stock at \$0.58 to \$6.48 per share	112,018	164	--	--
Repayment of notes receivable	--	--	5	--
Amortization of deferred compensation	--	--	--	113
Change in unrealized gain on available-for-sale securities	--	--	--	--
Net loss	--	--	--	--
Balance at October 31, 1997	12,687,416	\$75,679	\$ (8)	\$(198)
Issuance of common stock at \$0.58 to \$7.00 per share	425,885	1,142	--	--
Exercise of warrants	46,587	--	--	--
Net increase in notes receivable from shareholders .	--	--	(283)	--
Amortization of deferred compensation	--	--	--	112
Change in unrealized gain on available-for-sale securities	--	--	--	--
Net loss	--	--	--	--
Balance at October 31, 1998	13,159,888	\$76,821	\$(291)	\$ (86)
Issuance of common stock at \$0.58 to \$5.56 per share	193,464	468	--	--
Net decrease in notes receivable from shareholders .	--	--	291	--
Amortization of deferred compensation	--	--	--	86
Change in unrealized gain on available-for-sale securities	--	--	--	--
Net loss	--	--	--	--
Balance at October 31, 1999	13,353,352	\$77,289	\$ --	\$ --

	ACCUMULATED DEFICIT	TOTAL SHAREHOLDERS' EQUITY
Balance at October 31, 1996	\$(31,278)	\$ 36,640
Issuance of common stock for acquired businesses ...	--	7,273
Issuance of common stock at \$0.58 to \$6.48 per share	--	164
Repayment of notes receivable	--	5
Amortization of deferred compensation	--	113
Change in unrealized gain on available-for-sale securities	(5)	(5)
Net loss	(8,575)	(8,575)
Balance at October 31, 1997	\$(39,858)	\$ 35,615
Issuance of common stock at \$0.58 to \$7.00 per share	--	1,142
Exercise of warrants	--	--
Net increase in notes receivable from shareholders .	--	(283)
Amortization of deferred compensation	--	112
Change in unrealized gain on available-for-sale securities	(8)	(8)
Net loss	(2,890)	(2,890)
Balance at October 31, 1998	\$(42,756)	\$ 33,688
Issuance of common stock at \$0.58 to \$5.56 per share	--	468
Net decrease in notes receivable from shareholders .	--	291
Amortization of deferred compensation	--	86
Change in unrealized gain on available-for-sale securities	(3)	(3)
Net loss	(2,769)	(2,769)
Balance at October 31, 1999	\$(45,528)	\$ 31,761

SEE ACCOMPANYING NOTES.

LANDEC CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED OCTOBER 31,		
	1999	1998	1997
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash flows from operating activities:			
Net loss from continuing operations.....	\$ (2,769)	\$ (2,890)	\$ (7,586)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization.....	2,214	2,075	1,051
Write-off of purchased in-process research and development.....	--	--	3,022
Loss from discontinued operations.....	--	--	(989)
Changes in assets and liabilities, net of effects from acquisitions and discontinued operations:			
Accounts receivable.....	(144)	(646)	(328)
Inventory.....	(2,965)	(2,024)	24
Deferred advertising.....	(128)	16	(97)
Receivables from related parties.....	362	(500)	--
Prepaid expenses and other current assets.....	(483)	82	(902)
Accounts payable.....	288	757	(1,275)
Accrued compensation.....	19	181	218
Other accrued liabilities.....	385	(578)	975
Deferred revenue.....	(364)	173	389
Total adjustments	(816)	(464)	2,088
Net cash used in operating activities.....	(3,585)	(3,354)	(5,498)
Cash flows from investing activities:			
Purchases of property and equipment.....	(3,708)	(4,100)	(1,344)
Decrease in other assets.....	5	74	31
Purchases of available-for-sale securities.....	--	(5,033)	(14,828)
Sale of available-for-sale securities.....	--	4,805	4,041
Maturities of available-for-sale securities.....	989	8,734	23,602
Acquisition of businesses, net of cash acquired.....	(393)	(390)	(6,224)
Net proceeds from disposition of QuickCast operation.....	--	--	425
Net cash provided by (used in) investing activities.....	(3,107)	4,090	5,703
Cash flows from financing activities:			
Proceeds from sale of restricted investment.....	--	8,837	--
Purchase of restricted investment.....	--	--	(8,837)
Proceeds from sale of common stock, net of repurchases.....	468	1,142	164
Decrease (increase) in repayment of notes receivable from shareholders.....	291	(283)	5
Payments on long term debt.....	(90)	(10)	(559)
Proceeds from issuance of long term debt.....	41	2,789	--
Payment of payable related to the acquisition of Dock Resins Corporation.....	--	(9,189)	--
Net cash provided by (used in) financing activities.....	710	3,286	(9,227)
Net increase (decrease) in cash and cash equivalents.....	(5,982)	4,022	(9,022)
Cash and cash equivalents at beginning of year.....	9,185	5,163	14,185
Cash and cash equivalents at end of year.....	\$ 3,203	\$ 9,185	\$ 5,163
Supplemental disclosure of cash flows information:			
Cash paid during the period for interest, net of capitalized interest.....	\$ 76	\$ 383	\$ 75
Cash paid during the period for income taxes.....	\$ 33	\$ 38	\$ 32
Supplemental schedule of noncash investing and financing activities:			
Common stock issued in the acquisition of businesses.....	\$ --	\$ --	\$ 7,273

SEE ACCOMPANYING NOTES.

LANDEC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Landec Corporation and its subsidiaries (the "Company") design, develop, manufacture, and sell temperature-activated and other specialty polymer products for a variety of food product, agricultural products, specialty industrial and medical applications. In addition, the Company markets and distributes hybrid corn seed to producer customers.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the accounts of Landec Corporation and its wholly owned subsidiaries, Intellicoat Corporation ("Intellicoat") and Dock Resins Corporation ("Dock Resins"). All intercompany transactions and balances have been eliminated.

CONCENTRATIONS OF CREDIT RISK

Cash, cash equivalents and short-term investments are financial instruments which potentially subject the Company to concentrations of risk. Corporate 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.

CASH, CASH EQUIVALENTS AND INVESTMENTS

The Company records all highly liquid securities with three months or less from date of purchase to maturity as cash equivalents. Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. As of October 31, 1999 and 1998, the Company's debt securities are carried at fair value and classified as available-for-sale, as the Company may not hold these securities until maturity in order to take advantage of market conditions. Unrealized gains and losses are reported as a component of shareholders' equity and were immaterial for all years presented. The cost of debt securities is adjusted for amortization of premiums and discounts to maturity. This amortization is included in interest income. Realized gains and losses on the sale of available-for-sale securities are also included in interest income and were immaterial for fiscal year 1999. The cost of securities sold is based on the specific identification method.

INVENTORIES

Inventories are stated at the lower of cost (using the first-in, first-out method) or market. As of October 31, 1999 and 1998 inventories consisted of (in thousands):

	OCTOBER 31,	
	1999	1998
Finished goods.....	\$6,169	\$3,785
Raw materials.....	1,015	663
Work in process.....	457	228
	\$7,641	\$4,676

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED ADVERTISING

The Company defers certain costs related to direct-response advertising of its hybrid corn seeds. Such costs are amortized over periods (less than one year) that correspond to the estimated revenue stream of the advertising activity. Advertising expenditures that are not direct-response advertisements are expensed as incurred. The advertising expense for fiscal years 1999 and 1998 was \$1,272,000 and \$1,165,000, respectively. The advertising expense for fiscal year 1997 was zero as the Company acquired Fielder's Choice in September, 1997.

RECEIVABLE FROM RELATED PARTIES

In October 1998, the Company loaned an officer of Intellicoat \$500,000 in cash in exchange for a promissory note. Interest accrued at 7.50% per annum, compounded annually. On July 31, 1999 the balance of principal and accrued interest were offset by an earn-out provision related to the acquisition of Fielder's Choice by the Company. The resulting principal balance of \$138,000 plus interest, if any, is due and payable on July 31, 2000. The \$138,000 note has been included in other current assets at October 31, 1999.

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 twenty to thirty-one years for buildings and improvements and three to ten years for furniture, computers, machinery and equipment. Leasehold improvements are amortized over the lesser of the economic life of the improvement or the life of the lease on a straight-line basis.

INTANGIBLE ASSETS

Intangible assets represent the excess of acquisition costs over the estimated fair value of net assets acquired and consist of covenants not to compete, customer bases, work forces in place, trademarks, developed technology and goodwill. These assets are amortized on a straight-line basis over periods ranging from five to twenty years based on their estimated useful lives.

DEFERRED REVENUE

Cash received in advance of services performed or shipment of products, primarily hybrid corn seed, are recognized as a liability and recorded as deferred revenue. At October 31, 1999 approximately \$2.1 million has been recognized as a liability for advances on future hybrid corn seed shipments.

PER SHARE INFORMATION

In 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings Per Share" (SFAS No. 128). SFAS No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. Due to the Company's net loss in all periods presented, net loss per share includes only weighted average shares outstanding. All earnings per share amounts for all periods have been presented in accordance with SFAS No. 128 requirements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

Revenues related to research contracts are recognized ratably over the related funding periods for each contract, which is generally as research is performed. Revenues related to license agreements with noncancelable, nonrefundable terms and no significant future obligations are recognized upon inception of the agreements. Product sales are recognized upon shipment.

RESEARCH AND DEVELOPMENT EXPENSES

Costs related to both research contracts and Company-funded research is included in research and development expenses. Costs to fulfill research contracts generally approximate cost.

ACCOUNTING FOR STOCK-BASED COMPENSATION

The Company accounts for its stock option plans and its employee stock purchase plans in accordance with the provisions of the Accounting Principles Board Opinion No. 25 (APB 25) "Accounting for Stock Issued to Employees."

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

IMPAIRMENT OF LONG LIVED ASSETS

The Company has adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". The Company records impairment losses on long-lived assets used in operations or expected to be disposed when events and circumstances indicate that the assets are less than the carrying amounts of those assets. No such event and circumstances have occurred.

2. BUSINESS ACQUISITIONS

On April 18, 1997, the Company acquired Dock Resins Corporation ("Dock Resins") a privately-held manufacturer and marketer of specialty acrylics and other polymers located in Linden, New Jersey for \$15.8 million, comprised of \$13.7 million in cash, a secured promissory note paid in January 1998 and direct acquisition costs along with 396,039 shares of common stock valued at \$2.1 million. A payable of \$9.5 million was recorded as of the acquisition date to recognize the promissory note and other liabilities related to the acquisition. A marketable investment of \$8.8 million was set aside as security for payment of the promissory note, and subsequently used to pay off the promissory note in January 1998. In addition, \$1.5 million of the cash consideration and all of the equity consideration was set aside in escrow to cover future costs associated with obligations under the representations and warranties made by the shareholder of Dock Resins in connection with the acquisition. During fiscal year 1998 \$460,000 was drawn down from the escrow account to pay for obligations under the agreement. No amounts were drawn from the account during fiscal years 1999 and 1997. The escrow account expires on April 18, 2002. Management determined the portion of the purchase price allocable to in-process research and development based on the assessment of the technology and the effort required to complete the technology and sought advice from an independent appraiser with respect to the value of the in-process research and development. This assessment resulted in a \$3.0 million charge during fiscal year 1997 as required under generally accepted accounting principles. Such in-process technology was determined to have no alternative future uses. The acquisition was accounted for using the purchase method.

2. BUSINESS ACQUISITIONS (CONTINUED)

On September 30, 1997, Intellicoat acquired Williams & Sun, Inc. d/b/a Fielder's Choice Hybrids ("Fielder's Choice") a privately-held direct marketer of hybrid seed corn, located in Monticello, Indiana for \$8.8 million, comprised of \$3.6 million in cash and direct acquisition costs along with 1,425,648 shares of common stock valued at approximately \$5.2 million. Terms of the agreement include additional consideration up to \$2.4 million in the form of a cash earn-out based on the future performance of the Fielder's Choice business. During fiscal years 1999 and 1998, earn-out payments were made in the amount of \$393,000 and \$390,000, respectively. The acquisition was accounted for using the purchase method.

3. DISCONTINUED OPERATIONS

In fiscal year 1997, the Company entered into an agreement with Bissell Healthcare Corporation ("Bissell") to sell substantially all of the net assets of QuickCast for \$950,000 in cash plus royalties on future sales through August 28, 2007. As a result, the operations of the QuickCast product line for fiscal year 1997 has been classified as discontinued in the consolidated statements of operations. During fiscal years 1999 and 1998, the Company recognized \$12,000 and \$20,000 respectively, of royalties income related to this agreement.

4. COLLABORATIVE AGREEMENTS

To facilitate the commercialization of its products, the Company has established a number of strategic alliances in which the Company receives license payments, research and development funding and/or future royalties in exchange for certain technology or marketing rights.

HITACHI CHEMICAL. The Company entered into two separate collaborations with Hitachi Chemical ("Hitachi") in the areas of industrial adhesives and Intelimer Polymer Systems. On October 1, 1994, the Company entered into a non-exclusive license agreement for seven years with Hitachi in the industrial adhesives area. The agreement provides Hitachi with a non-exclusive license to manufacture and sell products using Landec's Intelimer materials in certain Asian countries. Landec received up-front license fees upon signing the agreement and is entitled to future royalties based on net sales by Hitachi of the licensed products. Any fees paid to the Company are non-refundable.

On August 10, 1995, the Company entered into the second collaboration with Hitachi in the Intelimer Polymer Systems area. The agreement provided Hitachi with an exclusive license to use and sell Landec's Intelimer Polymer Systems in industrial latent curing products in certain Asian countries. Landec is entitled to be the exclusive supplier of Intelimer Polymer Systems to Hitachi for at least seven years after commercialization. Landec received an up-front license payment upon signing this agreement and research and development funding over three years and is entitled to receive future royalties based on net sales by Hitachi of the licensed products. Any fees paid to the Company are non-refundable. This agreement has been converted to a non-exclusive agreement except for one application field. In conjunction with this agreement, Hitachi purchased Series E Preferred Stock for \$1.5 million which converted to common stock upon the Company's initial public offering.

NITTA CORPORATION. On March 14, 1995, the Company entered into a license agreement with Nitta Corporation ("Nitta") in the industrial adhesives area. The agreement provides Nitta with a co-exclusive license to manufacture and sell products using Landec's Intelimer materials in certain Asian countries. Landec received up-front license fees upon signing the agreement and is entitled to future royalties based on net sales by Nitta of the licensed products. Any fees paid to the Company are non-refundable. This agreement is terminable at Nitta's option. Nitta and the Company entered into an additional exclusive license arrangement in February 1996 covering Landec's medical adhesives technology for use in Asia. The Company received up-front license fees upon execution of the agreement and research and development payments and is entitled to receive future royalties under this agreement. Any fees paid to the Company are non-refundable. Nitta and the Company also entered into another worldwide exclusive agreement on January 1, 1998 in the area of industrial adhesives specific to one field of electronic polishing adhesives. The Company received research and development payments as a part of this agreement.

4. COLLABORATIVE AGREEMENTS (CONTINUED)

ALCON. In December 1997, Landec licensed the rights to worldwide manufacturing, marketing and distribution of its PORT ophthalmic device to Alcon. Under the terms of the transaction, Landec received an up-front cash payment, a \$1 million milestone payment in November 1998, research and development funding and will receive ongoing royalties of 12.5% on product sales of each PORT device over an approximately 15-year period. In September 1999, Alcon submitted a 510K application to the FDA seeking approval to commercially sell the PORT device. Landec will continue to provide development support on a contract basis through the FDA approval process and product launch.

CONVATEC. On October 11, 1999, the Company entered into a joint development agreement ConvaTec, a division of Bristol Myers Squibb, under which Landec will develop adhesive film products for selected ConvaTec medical products. Landec is receiving support funding for this program. Upon completion of this agreement, the companies have the option to consider a supply agreement where Landec would supply materials to ConvaTec of use in specific medical devices.

5. AVAILABLE-FOR-SALE SECURITIES

There were no available-for-sale securities as of October 31, 1999. The following is a summary of available-for-sale securities as of October 31, 1998 (in thousands):

OCTOBER 31, 1998	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. government and agency obligations.....	\$ 996	\$ --	\$ --	\$ 996
U.S. states or political subdivisions obligations.....	359	--	--	359
Corporate debt securities.....	1,987	3	--	1,990
Total securities.....	\$ 3,342	\$ 3	\$ --	\$ 3,345
Amounts included in:				
Cash equivalents.....	\$ 2,353	\$ --	\$ --	\$ 2,353
Short-term investments.....	989	3	--	992
Total securities.....	\$ 3,342	\$ 3	\$ --	\$ 3,345

6. PROPERTY AND EQUIPMENT

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

	OCTOBER 31,	
	1999	1998
Land and buildings.....	\$ 3,945	\$ 3,132
Leasehold improvements.....	1,372	1,291
Computer, machinery, equipment and autos.....	8,155	5,293
Furniture and fixtures.....	592	291
Construction in process.....	1,173	1,651
	15,237	11,658
Less accumulated depreciation and amortization.....	(4,235)	(3,378)
	\$ 11,002	\$ 8,280

Depreciation expense for fiscal years 1999, 1998 and 1997 was \$986,000, \$844,000, and \$603,000, respectively.

7. INTANGIBLE ASSETS

Intangible assets consist of the following (in thousands):

	OCTOBER 31,	
	1999	1998
Developed technology.....	\$ 5,036	\$ 5,036
Trademark.....	4,975	4,975
Customer base.....	2,396	2,396
Workforce in place.....	910	910
Covenants not to compete.....	277	277
Goodwill.....	2,509	2,116
	-----	-----
	16,103	15,710
Less accumulated amortization.....	(2,597)	(1,455)
	-----	-----
	\$13,506	\$ 14,255
	=====	=====

Amortization expense for fiscal years 1999, 1998, and 1997 was \$1,142,000, \$1,120,000, and \$335,000, respectively.

8. WARRANTS

In connection with the sale of Series D preferred stock in July 1993, the Company issued warrants to purchase 186,349 shares of common stock at an exercise price of \$4.31 per share for \$5,357 in cash. In a cashless exercise during fiscal year 1998, 46,587 shares were issued in exchange for the warrants.

9. SHAREHOLDERS' EQUITY

COMMON STOCK, STOCK PURCHASE PLANS AND STOCK OPTION PLANS

In October 1998, certain directors and officers of the Company purchased 200,425 shares of common stock for between \$3.75 and \$3.94 per share for \$776,000. At October 31, 1998, certain directors and officers of the Company were obligated to the Company for \$291,000 relating to this issuance. This amount was recorded to shareholders' equity at October 31, 1998. The outstanding balances were paid in full by December 1998.

The Company has 4,507,144 common shares reserved for future issuance under Landec Corporation stock option plans and employee stock purchase plans.

The Company terminated its 1988 Stock Option Plan during fiscal year 1998 and canceled all stock options available for grant.

The 1995 Directors' Stock Option Plan (the "Directors' Plan") provides that each person who becomes a nonemployee director of the Company, who has not received a previous grant, shall be granted a nonstatutory stock option to purchase 20,000 shares of common stock on the date on which the optionee first becomes a nonemployee director of the Company. Thereafter, on the date of each annual meeting of the shareholders each non-employee director shall be granted an additional option to purchase 10,000 shares of common stock if, on such date, he or she shall have served on the Company's Board of Directors for at least six months prior to the date of such annual meeting. The exercise price of the options is the fair market value of the Company's common stock on the date the options are granted. The Directors' Plan, as amended in 1998, authorizes the issuance of 400,000 shares under the plan. Options granted under this plan are exercisable and vest upon grant. All directors' stock option grants outstanding on December 4, 1997 with an exercise price greater than \$6.75, were repriced to \$6.75 per share, the fair market value of the Company's common stock on April 15, 1998, the date of the annual shareholders' meeting.

9. SHAREHOLDERS' EQUITY (CONTINUED)

The 1996 Non-Executive Stock Option Plan authorizes the Board of Directors to grant non-qualified stock options to employees and outside consultants who are not officers or directors of the Company. The exercise price of the options will be equal to the fair market value of the Company's common stock on the date the options are granted. As amended in 1999, 1,500,000 shares are authorized to be issued under this plan. Options are exercisable upon vesting and generally vest ratably over four years and are subject to repurchase if exercised before being vested.

In November 1996, the Company's Board of Directors approved the 1996 Stock Option Plan. Under this plan, the Board of Directors of Landec may grant stock purchase rights, incentive stock options or non-statutory stock options to Landec executives. The exercise price of the stock purchase rights, incentive stock options and non-statutory stock options may be no less than 100% of the fair market value of Landec's common stock on the date the options are granted. The plan, as amended, authorizes the issuance of 1,500,000 shares of Landec common stock under the plan. Options are exercisable upon vesting and generally vest ratably over four years and are subject to repurchase if exercised before being vested.

In January 1997, the company effected an option repricing program to allow non-officer employees and outside consultants who were issued options under the 1988 Stock Option Plan at an exercise price above \$14.50 per share to exchange their out-of-money stock options for the same number of options at a more favorable exercise price. Under this repricing program, one new option could be obtained for every option cancelled. The exercise price of the new option was based on the fair market value of the Company's common stock on the date the old options were exchanged. The new options vest ratably over four years (commencing one year from January 7, 1997, the repricing date) and are subject to repurchase if exercised before being vested. As a result of this repricing program, options to purchase 58,250 shares were repriced.

In January 1998, the Company effected another option repricing program to allow employees, directors and officers who were issued options under the 1988 Stock Option Plan, 1996 Non-Executive Stock Option Plan and 1996 Stock Option Plan at an exercise price above \$5.00 per share to exchange their out-of-money stock options for the same number of options at a more favorable exercise price. The officers and directors repricing was approved at the April 15, 1998 shareholders' meeting. Under this repricing program, one new option could be obtained for every option cancelled. The exercise price of the new option was based on the higher of fair market value of the Company's common stock on the date the old options were exchanged, or \$5.00 per share. The new options vest ratably over four years (commencing December 4, 1997, the repricing date) and are subject to repurchase if exercised before being vested. As a result of this repricing program and the repricing of the options issued under the 1995 Directors' Plan, options to purchase 753,100 shares were repriced.

9. SHAREHOLDERS' EQUITY (CONTINUED)

Activity under all Landec Stock Option Plans is as follows:

	Options Available for Grant	Outstanding Options	
		Number of Shares	Weighted Average Exercise Price
Balance at October 31, 1996	1,177,517	1,178,348	\$2.46
Additional shares reserved	750,000	--	--
Options granted	(1,070,300)	1,070,300	\$8.63
Options exercised	--	(95,592)	\$0.78
Options forfeited	158,384	(158,384)	\$6.88
Options canceled	58,250	(58,250)	\$19.11
Balance at October 31, 1997	1,073,851	1,936,422	\$5.11
Additional shares reserved	950,000	--	--
Options granted	(1,584,828)	1,584,828	\$5.12
Options exercised	--	(163,394)	\$0.69
Options forfeited	123,851	(123,851)	\$6.46
Options canceled	753,100	(753,100)	\$9.84
Expired in 1988 Plan	(60,633)	--	--
Balance at October 31, 1998	1,255,341	2,480,905	\$3.90
Additional shares reserved	750,000	--	--
Options granted	(663,300)	663,300	\$4.79
Options exercised	--	(100,265)	\$1.52
Options forfeited	108,220	(108,220)	\$5.20
Expired in 1988 Plan	(2,977)	--	--
Balance at October 31, 1999	1,447,284	2,935,720	\$4.14

At October 31, 1999, 1998 and 1997, options to purchase 1,494,662, 1,101,387 and 902,135 of Landec's common stock were vested, respectively. No options have been exercised prior to being vested.

For options granted through October 31, 1999, the Company recognized an aggregate of \$451,000 as deferred compensation for the excess of the deemed value for accounting purposes of the common stock not issueable on exercise of such options over the aggregate exercise price of such options. The deferred compensation expense is being amortized ratably over the vesting period of the options. Total deferred compensation expense recognized in the Company's financial statements for stock-option awards under APB 25 for fiscal years 1999, 1998 and 1997 was \$86,000, \$112,000 and \$113,000, respectively.

9. SHAREHOLDERS' EQUITY (CONTINUED)

The following tables summarize information about Landec options outstanding and exercisable at October 31, 1999.

OPTIONS OUTSTANDING

Range of Exercise Prices	Number of Shares	Weighted Average Contractual Life (in years)	Weighted Average Exercise Price
\$0.5800 - \$0.5800	365,505	2.78	\$0.58
\$0.8600 - \$1.4400	301,630	5.44	\$1.13
\$3.3750 - \$4.9380	631,907	9.26	\$4.75
\$5.0000 - \$5.0000	1,273,850	8.15	\$5.00
\$5.0630 - \$6.7500	315,328	8.11	\$5.89
\$7.0000 - \$9.3400	47,500	7.38	\$7.59
\$0.5800 - \$9.3400	2,935,720	7.42	\$4.14

OPTIONS EXERCISEABLE

Range of Exercise Prices	Number of Shares	Weighted Average Exercise Price
\$0.5800 - \$0.5800	365,505	\$0.58
\$0.8600 - \$1.4400	300,399	\$1.13
\$3.3750 - \$4.9380	143,235	\$4.45
\$5.0000 - \$5.0000	437,786	\$5.00
\$5.0630 - \$6.7500	217,063	\$6.13
\$7.0000 - \$9.3400	30,674	\$7.75
\$0.5800 - \$9.3400	1,494,662	\$3.31

EMPLOYEE STOCK PURCHASE PLAN. The Company has an employee stock purchase plan which permits eligible employees to purchase common stock, which may not exceed 10% of an employee's compensation, at a price equal to the lower of 85% of the fair market value of the Company's common stock at the beginning of the offering period or on the purchase date. As of October 31, 1999, 175,860 shares have been issued under the Purchase Plan.

INTELLICOAT STOCK PLAN. Under the 1996 Intellicoat Stock Plan, the Board of Directors of Intellicoat may grant stock purchase rights, incentive stock options or non-statutory stock options to employees and outside consultants. The exercise price of the stock purchase rights, incentive stock options and non-statutory stock options may be no less than 85%, 100% and 85%, respectively, of the fair market value of Intellicoat's common stock as determined by Intellicoat's Board of Directors. Two million shares are authorized to be issued under this plan. Options are exercisable upon vesting and generally vest ratably over four years and are subject to repurchase if exercised before being vested.

9. SHAREHOLDERS' EQUITY (CONTINUED)

The following table summarizes activity under the Intellicoat Stock Option Plan.

	Options Available	Outstanding Options	
		Number of Shares	Weighted Average
Balance at October 31, 1996	2,000,000	0	--
Options granted	(1,239,300)	1,239,300	\$0.12
Options forfeited	3,300	(3,300)	\$0.12
Balance at October 31, 1997	764,000	1,236,000	\$0.12
Options granted	(59,900)	59,900	\$0.20
Options forfeited	11,800	(11,800)	\$0.20
Balance at October 31, 1998	715,900	1,284,100	\$0.12
Options granted	(248,800)	248,800	\$0.83
Options exercised	--	(534)	\$0.20
Options forfeited	9,591	(9,591)	\$0.20
Balance at October 31, 1999	476,691	1,522,775	\$0.24

At October 31, 1999 options to purchase 986,897 shares with an average exercise price of \$0.14 per share of Intellicoat's common stock were vested. For the options outstanding at October 31, 1999, 1,033,000 shares were granted with an exercise price of \$0.10, 292,775 shares were granted with an exercise price of \$0.20 and 197,000 were granted with an exercise price of \$1.00. As of October 31, 1999, the Company has 1,999,466 common shares reserved for future issuance under the Intellicoat Corporation stock option plan.

PRO FORMA INFORMATION. The Company has elected to follow APB 25 in accounting for its employee stock option because, as discussed below, the alternative fair value accounting provided for under SFAS 123 required the use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, no compensation expense is recognized in the Company's financial statements unless the exercise price of the Company's employee stock options is less than the market price of the underlying stock on the date of grant.

Pro forma information regarding net loss and net loss per share has been determined as if the Company had accounted for the Landec stock option plans and employee stock purchase plan under the fair value method and the Intellicoat Stock Plan under the minimum value method prescribed by SFAS No. 123. The fair value of options granted in fiscal years 1999, 1998 and 1997 reported below has been estimated at the date of grant using a Black-Scholes options pricing model with the following weighted average assumptions:

YEARS ENDED OCTOBER 31,	LANDEC EMPLOYEE STOCK OPTIONS			LANDEC STOCK PURCHASE PLAN SHARES		
	1999	1998	1997	1999	1998	1997
Expected life (in years)	3.30	3.91	4.33	.49	.50	.47
Risk-free interest rate	5.08%	5.62%	6.16%	4.74%	5.37%	5.30%
Volatility	.43	.44	.40	.43	.44	.40
Dividend yield	0%	0%	0%	0%	0%	0%

The assumptions used for the Landec stock options for the expected life, the risk-free interest rate and the dividend yield are the same assumptions used to determine the fair value of the Intellicoat options granted in fiscal year 1999, 1998 and 1997. The volatility for the Intellicoat options is assumed to be zero since Intellicoat stock is not publicly traded.

9. SHAREHOLDERS' EQUITY (CONTINUED)

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of its options.

The weighted average estimated fair value of Landec employee stock options granted at grant date market prices during fiscal years 1999, 1998 and 1997 was \$1.71, \$1.67 and \$2.50 per share, respectively. The weighted average exercise price of employee stock options granted at grant date market prices during fiscal year 1999, 1998 and 1997 was \$4.78, \$5.86 and \$7.00 per share, respectively. No stock options were granted above grant date market prices during fiscal year 1999. The weighted average estimated fair value of Landec employee stock options granted above grant date market prices during fiscal years 1998 and 1997 was \$7.84 and \$3.05 per share, respectively. The weighted average exercise price of employee stock options granted above grant date market prices during fiscal year 1998 and 1997 was \$5.00 and \$12.00 per share, respectively. The weighted average estimated fair value of shares granted under the Landec Stock Purchase Plan during fiscal years 1999, 1998 and 1997 was \$1.42, \$1.57 and \$2.26 per share, respectively. The weighted average estimated fair value of shares granted under the Intellicoat Stock Purchase Plan during fiscal years 1999, 1998 and 1997 was \$0.30, \$0.03 and \$0.02 per share, respectively.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows (in thousands, except per share amounts):

YEARS ENDED OCTOBER 31,	1999	1998	1997
Pro forma net loss	\$(4,126)	\$(4,355)	\$(9,554)
Pro forma net loss per share	\$(0.31)	\$(0.34)	\$(0.86)

The effects on pro forma disclosures of applying SFAS No. 123 are not likely to be representative of the effects on pro forma disclosures of future years.

10. DEBT

In December 1997, Dock Resins entered into a loan and security agreement which provides for a long-term loan and a short-term revolving line of credit with a bank. Both the long-term loan and the short-term revolving line of credit are collateralized by a security interest in substantially all of the assets of Dock Resins. The Company pays interest on its long-term debt at an 8.19% fixed rate.

From time to time the Company enters into equipment financing agreements when interest rates and payment terms are favorable. At October 31, 1999 and 1998, the Company had approximately \$84,000 and \$61,000, respectively, of equipment loans outstanding.

LONG-TERM DEBT

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

	OCTOBER 31,	
	1999	1998
Bank term loan; principal payable in monthly installments of \$15,278 beginning February 1, 1999 through January, 2006 with the balance due January 31, 2006; interest is paid monthly	\$ 2,678	\$ 2,750
Equipment financing agreements	84	61
Less current portion	(125)	(156)
	<u>\$ 2,637</u>	<u>\$ 2,655</u>
	=====	=====

10. DEBT (CONTINUED)

Maturities of long-term debt are as follows (in thousands):

FY 2000	\$	125
FY 2001		131
FY 2002		134
FY 2003		137
FY 2004		148
Thereafter		2,087

	\$	2,762

The long-term loan limits Dock Resins' dividend payments and contains various financial covenants including minimum working capital levels, net worth and debt service ratio.

For the year ended October 31, 1999 and 1998, the Company paid interest on the long-term debt of \$217,000 and \$35,000, respectively. In fiscal year 1999, \$141,000 was capitalized as the amount related to financing for capital expenditures. No interest was capitalized during fiscal year 1998.

Management believes the fair value of its debt approximates carrying value.

SHORT-TERM DEBT

The short-term revolving line of credit allows for borrowings of up to \$1,250,000. The interest rate on the revolving line of credit is principally charged at the LIBOR rate plus 1.75%. The revolving line of credit expires on January 31, 2000, and contains certain restrictive covenants which, among other things, require Dock Resins to maintain minimum levels of net working capital and tangible net worth. No amounts were outstanding on the revolving line of credit at October 31, 1999.

11. INCOME TAXES

The Company's provision for income taxes of \$54,000 for the year ended October 31, 1999 is attributable to state taxes. As of October 31, 1999, the Company had net operating loss carryforwards of approximately \$27.8 million for federal income tax purposes. The Company also had federal research and development tax credit carryforwards of approximately \$1.0 million. The net operating loss carryforwards will expire at various dates beginning in 2002 through 2014, if not utilized.

Utilization of the net operating losses and credit carryforwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986. The annual limitation may result in the expiration of net operating losses and credits before utilization.

Significant components of the Company's deferred tax assets are as follows (in thousands):

	YEARS ENDED OCTOBER 31,	
	1999	1998
	----	----
Deferred tax assets:		
Net operating loss carryforwards.....	\$ 9,800	\$ 9,000
Research credit carryforwards.....	1,600	1,400
Capitalized research costs.....	1,400	1,400
In-process research costs.....	1,000	1,000
Other - net.....	1,100	1,000
	-----	-----
Total deferred tax assets.....	14,900	13,800
Valuation allowance.....	(14,900)	(13,800)
	-----	-----
Net deferred tax assets.....	\$ --	\$ --
	=====	=====

Due to the Company's absence of earning history, the net deferred tax asset has been fully offset by a valuation allowance.

The valuation allowance decreased by \$100,000 during the fiscal year ended October 31, 1998.

12. COMMITMENTS

LEASES

The Company leases office and laboratory space and certain equipment. Rent expense for the fiscal years ended October 31, 1999, 1998, and 1997 was approximately \$522,000, \$481,000, and \$392,000 respectively.

Future minimum lease obligations as of October 31, 1999 under all leases are as follows (in thousands):

	OPERATING LEASES -----
2000.....	\$ 511
2001.....	527
2002.....	145
2003.....	--

Total minimum lease payments.....	\$ 1,183 =====

OTHER

Under the terms of the acquisition of Dock Resins (see Note 2), the former shareholder of Dock Resins has indemnified the Company with regard to expenditures subsequent to the acquisition for certain environmental matters relating to circumstances existing at the time of the acquisition. To cover any such cost, an escrow for \$1.5 million in cash and all of the equity consideration was set aside. During fiscal year 1998, \$460,000 was drawn down from the escrow account to pay for environmental expenses incurred by Dock Resins, that had been indemnified by the former shareholder of Dock Resins in the purchase agreement. During fiscal years 1999 and 1997 no costs associated with the pre-acquisition environmental matters were incurred.

13. BUSINESS SEGMENT REPORTING

During the years presented, the Company reported its operations in three business segments: the Food Products Technology segment, the Agricultural Seed Technology segment and the Industrial High Performance Materials segment. The Food Products Technology segment manufactures and sells film packages applied with the Intellipac breathable membrane to the fresh-cut produce industry. The Agricultural Seed Technology segment markets and distributes hybrid seed corn to the farming industry and is developing seed coatings using the Company's proprietary Intelimer polymers. The Industrial High Performance Materials segment manufactures and sells specialty acrylics and polymers to the coating, laminating, adhesive and printing industries. Corporate and Other amounts include corporate operating costs and net interest income. Assets classified as corporate and other amounts consist primarily of cash and marketable securities.

13. BUSINESS SEGMENT REPORTING (CONTINUED)

Operations by Business Segment (in thousands):

	FOOD PRODUCTS TECHNOLOGY	AGRICULTURAL SEED TECHNOLOGY	INDUSTRIAL HIGH PERFORMANCE MATERIALS	CORPORATE AND OTHER	TOTAL

1999					
Net sales.....	\$ 4,459	\$ 15,197	\$ 14,313	\$ 1,478	\$ 35,447
Income (loss) from continuing operations...	\$ 105	\$ (1,219)	\$ (319)	\$ (1,336)	\$ (2,769)
Identifiable assets.....	\$ 2,352	\$ 17,318	\$ 18,588	\$ 2,450	\$ 40,708
Depreciation and amortization.....	\$ 139	\$ 983	\$ 846	\$ 160	\$ 2,128
Capital expenditures.....	\$ 347	\$ 295	\$ 2,760	\$ 306	\$ 3,708
Interest income.....	\$ --	\$ 113	\$ 98	\$ 152	\$ 363
Interest expense.....	\$ --	\$ --	\$ (99)	\$ --	\$ (99)
Income tax expense.....	\$ --	\$ --	\$ (54)	\$ --	\$ (54)

1998					
Net sales.....	\$ 2,859	\$ 13,275	\$ 16,153	\$ 1,229	\$ 33,516
Income (loss) from continuing operations...	\$ (353)	\$ (1,427)	\$ 179	\$ (1,289)	\$ (2,890)
Identifiable assets.....	\$ 1,513	\$ 14,356	\$ 19,397	\$ 7,090	\$ 42,356
Depreciation and amortization.....	\$ 125	\$ 917	\$ 780	\$ 142	\$ 1,964
Capital expenditures.....	\$ 142	\$ 1,389	\$ 2,298	\$ 271	\$ 4,100
Interest income.....	\$ --	\$ 95	\$ 70	\$ 572	\$ 737
Interest expense.....	\$ --	\$ (9)	\$ (58)	\$ (70)	\$ (137)
Income tax expense.....	\$ --	\$ --	\$ (150)	\$ --	\$ (150)

1997					
Net sales.....	\$ 1,201	\$ 70	\$ 8,137	\$ 108	\$ 9,516
Loss from continuing operations.....	\$ (837)	\$ (1,756)	\$ (3,930)	\$ (1,063)	\$ (7,586)
Identifiable assets.....	\$ 970	\$ 11,945	\$ 15,209	\$ 22,036	\$ 50,160
Depreciation and amortization.....	\$ 76	\$ 157	\$ 444	\$ 261	\$ 938
Capital expenditures.....	\$ 197	\$ 440	\$ 554	\$ 153	\$ 1,344
Interest income.....	\$ --	\$ 3	\$ 15	\$ 1,708	\$ 1,726
Interest expense.....	\$ --	\$ --	\$ (8)	\$ (311)	\$ (319)
Income tax expense.....	\$ --	\$ --	\$ --	\$ --	\$ --

During fiscal years 1999, 1998 and 1997, an industrial high performance materials customer accounted for 10%, 13% and 25% of the Company's total revenue, respectively. This was the only customer with revenues individually representing 10% or more of total revenue.

Export product sales were approximately \$828,000, \$863,000, and \$421,000 in the years ended October 31, 1999, 1998 and 1997, respectively.

14. SUBSEQUENT EVENTS

On December 2, 1999, the Company acquired Apio, Inc. and certain related entities, of Guadalupe, California, one of the nation's leading marketers and packers of produce and specialty packaged fresh-cut vegetables with annual sales of approximately \$158 million. Upon closing, Landec paid \$23.9 million in cash and stock, before expenses, for Apio, which will operate as a wholly owned subsidiary of Landec. Additional terms of the agreement include up to \$16.75 million in future payments over five years, with \$10.0 million of that amount based on Apio achieving certain performance milestones. The transaction was accounted for as a purchase.

14. SUBSEQUENT EVENTS (CONTINUED)

To fund the transaction, Landec issued 2.5 million shares of common stock to the prior owners of Apio. Apio replaced a portion of its existing bank debt with a \$11.25 million term note and entered into a new \$12 million line of credit agreement with the Bank of America. Existing debt of \$3.7 million was assumed in the transaction. In a separate transaction, Landec has sold \$10 million of convertible preferred stock (convertible into 1,666,670 shares of Common Stock) to a private, long-term, investor at a \$6.00 per share equivalent price. Under the terms of these transactions, Landec has agreed to effect the registration of approximately 2.5 million shares of Landec common stock by March 31, 2000.

LANDEC CORPORATION
VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

SCHEDULE II

	BALANCE AT BEGINNING OF PERIOD -----	ADDITIONS CHARGED TO COSTS AND EXPENSES -----	DEDUCTIONS -----	BALANCE AT END OF PERIOD -----
Year ended October 31, 1997				
Allowance for doubtful accounts.....	\$ 32	\$ --	\$(5)	\$ 27
Year ended October 31, 1998				
Allowance for doubtful accounts.....	\$ 27	\$ 31	\$ (8)	\$ 50
Year ended October 31, 1999				
Allowance for doubtful accounts.....	\$ 50	\$ --	\$ (5)	\$ 45

(b) No reports on Form 8-K were filed by the Company during the period August 1, 1999 to October 31, 1999.

(c) Index of Exhibits

- 2.1(6) Stock Purchase Agreement by and among the Registrant, Dock Resins Corporation and A. Wayne Tamarelli dated as of April 18, 1997.
- 2.2(7) Agreement and Plan of Reorganization by and among the Registrant, Intellicoat Corporation, Williams & Sun, Inc. (d/b/a Fielder's Choice Hybrids) and Michael L. Williams dated as of August 20, 1997.
- 2.3(11) Form of Agreement and Plan Merger and Purchase Agreement by and among the Registrant, Apio, Inc. and related companies and each of the respective shareholders dated as of November 29, 1999.
- 3.1(1) Amended and Restated Bylaws of Registrant.
- 3.2(2) Ninth Amended and Restated Articles of Incorporation of Registrant.
- 3.3+ Certificate of Determination of Series A Preferred Stock
- 4.1(12) Series A Preferred Stock Purchase Agreement between the Registrant and Frederick Frank, dated as of November 19, 1999.
- 10.1(3) Form of Indemnification Agreement.
- 10.3(4)* 1995 Employee Stock Purchase Plan, as amended, and form of Subscription Agreement.
- 10.4(4)* 1995 Directors' Stock Option Plan, as amended, and form of Option Agreement.
- 10.6(3) Industrial Real Estate Lease dated March 1, 1993 between the Registrant and Wayne R. Brown & Bibbits Brown, Trustees of the Wayne R. Brown & Bibbits Brown Living Trust dated December 30, 1987.
- 10.14(4)* Consulting Agreement dated May 1, 1996 between the Registrant and Richard Dulude.
- 10.15(4)* 1996 Intellicoat Stock Option Plan and form of Option Agreement.
- 10.16(4)* 1996 Non-Executive Stock Option Plan and form of Option Agreement.
- 10.17(5)* 1996 Stock Option Plan and form of Option Agreement.
- 10.18(8) Asset Purchase Agreement between Bissell Healthcare Corporation and the Registrant, dated as of August 28, 1997.
- 10.19(8) Technology License Agreement between Bissell Healthcare Corporation and the Registrant, dated as of August 28, 1997.
- 10.20(8) Supply Agreement between Bissell Healthcare Corporation and the Registrant, dated as of August 28, 1997.
- 10.21(9)* Employment Agreement between the Registrant and A. Wayne Tamarelli dated as of April 18, 1997.
- 10.22(10) Form of Common Stock Purchase Agreement for certain officers and directors for restricted stock purchase.
- 10.23(10) Loan agreement between Registrant and Michael Williams dated October 1, 1998.
- 10.24+ Employment agreement between the Registrant and Nicholas Tompkins dated as of November 29, 1999.
- 10.25+ Stock Option Agreement between the Registrant and Nicholas Tompkins dated as of November 29, 1999.
- 10.26+ 1999 Apio, Inc. Stock Option Plan and form of Option Agreement.
- 10.27+ Loan agreement between Apio, Inc. and the Bank of America dated as of November 29, 1999.
- 21.1 Subsidiaries of the Registrant.

SUBSIDIARY

STATE OF INCORPORATION

Intellicoat Corporation	Delaware
Dock Resins Corporation	New Jersey
Apio, Inc.	Delaware

- 23.1+ Consent of Independent Auditors.
- 24.1+ Power of Attorney. See page 58.
- 27.1+ Financial Data Schedule

- (1) Incorporated by reference to Exhibit 3.4 filed with Registrant's Registration Statement on Form S-1 (File No. 33-80723) declared effective on February 12, 1996.
- (2) Incorporated by reference to Exhibit 3.5 filed with Registrant's Registration Statement on Form S-1 (File No. 33-80723) declared effective on February 12, 1996.
- (3) Incorporated by reference to the identically numbered exhibits filed with the Registrant's Registration Statement on Form S-1 (File No. 33-80723) declared effective on February 12, 1996.
- (4) Incorporated by reference to the identically numbered exhibits filed with the Registrant's Form 10-K filed for the year ended October 31, 1996.
- (5) Incorporated by reference to the identically numbered exhibits filed with the Registrant's Form 10-Q filed for the quarter ended April 30, 1997.
- (6) Incorporated by reference to Exhibit 2.1 filed with the Registrant's Form 8-K dated April 18, 1997.
- (7) Incorporated by reference to Exhibit 2.1 filed with the Registrant's Form 10-Q for the quarter ended July 31, 1997.
- (8) Incorporated by reference to the identically numbered exhibits filed with the Registrant's Form 8-K dated August 28, 1997.
- (9) Incorporated by reference to Exhibit C to Exhibit 2.1 filed with the Registrant's Form 8-K dated April 18, 1997.
- (10) Incorporated by reference to identically numbered exhibits filed with the Registrant's Form 10-K filed for the year ended October 31, 1998.
- (11) Incorporated by reference to the Exhibit 2.1 filed with the Registrant's Form 8-K dated December 2, 1999.
- (12) Incorporated by reference to identically numbered exhibits filed with the Registrant's Form 8-K dated December 2, 1999.

* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this report pursuant to item 14(c) of Form 10-K.

+ Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Menlo Park, State of California, on January 26, 2000.

LANDEC CORPORATION

By: /s/ Gregory S. Skinner

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

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, THAT EACH PERSON WHOSE SIGNATURE APPEARS BELOW HEREBY CONSTITUTES AND APPOINTS GARY T. STEELE AND GREGORY S. SKINNER, AND EACH OF THEM, AS HIS ATTORNEY-IN-FACT, WITH FULL POWER OF SUBSTITUTION, FOR HIM IN ANY AND ALL CAPACITIES, TO SIGN ANY AND ALL AMENDMENTS TO THIS REPORT ON FORM 10-K, AND TO FILE THE SAME, WITH EXHIBITS THERETO AND OTHER DOCUMENTS IN CONNECTION THEREWITH, WITH THE SECURITIES AND EXCHANGE COMMISSION, HEREBY RATIFYING AND CONFIRMING OUR SIGNATURES AS THEY MAY BE SIGNED BY OUR SAID ATTORNEY TO ANY AND ALL AMENDMENTS TO SAID REPORT ON FORM 10-K.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated:

SIGNATURE -----	TITLE -----	DATE -----
/s/ Gary T. Steele ----- Gary T. Steele	President and Chief Executive Officer (Principal Executive Officer)	January 26, 2000
/s/ Gregory S. Skinner ----- Gregory S. Skinner	Vice President of Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	January 26, 2000
/s/ Kirby L. Cramer ----- Kirby L. Cramer	Director	January 26, 2000
/s/ Richard Dulude ----- Richard Dulude	Director	January 26, 2000
/s/ Frederick Frank ----- Frederick Frank	Director	January 26, 2000
/s/ Stephen E. Halprin ----- Stephen E. Halprin	Director	January 26, 2000
/s/ Richard S. Schneider ----- Richard S. Schneider	Director	January 26, 2000
/s/ Damion Wicker ----- Damion Wicker	Director	January 26, 2000

EXHIBIT INDEX

EXHIBIT NUMBER -----	EXHIBIT TITLE -----
3.3	Certificate of Determination of Series A Preferred Stock
10.24	Employment agreement between the Registrant and Nicholas Tompkins dated as of November 29, 1999.
10.25	Stock Option Agreement between the Registrant and Nicholas Tompkins dated as of 10.25 November 29, 1999.
10.26	1999 Apio, Inc. Stock Option Plan and form of Option Agreement.
10.27	Loan agreement between Apio, Inc. and the Bank of America dated as of November 29, 1999.
23.1	Consent of Independent Auditors
24.1	Power of Attorney. See page 58.
27.1	Financial Data Schedule

CERTIFICATE OF DETERMINATION OF RIGHTS, PREFERENCES
AND PRIVILEGES OF
SERIES A-1 PREFERRED STOCK AND SERIES A-2 PREFERRED STOCK
OF
LANDEC CORPORATION

The undersigned, Gregory S. Skinner and Stephen E. Halprin, do hereby certify:

1. That they are the duly elected Vice President of Finance and Chief Financial Officer and Secretary, respectively, of Landec Corporation, a California Corporation (the "CORPORATION").

2. That pursuant to the authority conferred upon the Board of Directors by the Articles of Incorporation of the said Corporation, the said Board of Directors on November 17, 1999 adopted the following resolutions creating a series of shares of Preferred Stock designated as Series A Preferred Stock:

"RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation by the Articles of Incorporation, the Board of Directors does hereby provide for the issue of two (2) series of Preferred Stock of the Corporation. The first series shall be designated "Series A-1 Preferred Stock," par value \$0.001 per share, and shall initially consist of 50,000 shares and the second series shall be designated "Series A-2 Preferred Stock," par value \$0.001 per share, and shall initially consist of 116,667 shares. To the extent that the designations, powers, preferences and relative and other special rights and the qualifications, limitations and restrictions of the Series A-1 Preferred Stock and the Series A-2 Preferred Stock are not stated and expressed in the Articles of Incorporation, the Board of Directors does hereby fix and herein state and express such designations, powers, preferences and relative and other special rights and the qualifications, limitations and restrictions thereof, as follows (all terms used herein which are defined in the Articles of Incorporation shall be deemed to have the meanings provided therein):

Section 1. DESIGNATION AND AMOUNT. The shares of the first series shall be designated as "Series A-1 Preferred Stock," par value \$0.001 per share, and the number of shares constituting such series shall be 50,000. The shares of the second series shall be designated as "Series A-2 Preferred Stock," par value \$0.001 per share, and the number of shares constituting such series shall be 116,667. As used herein, the term "Series A Preferred Stock" shall refer to each of the Series A-1 Preferred Stock and the Series A-2 Preferred Stock.

Section 2. DIVIDENDS AND DISTRIBUTIONS.

(A) The holders of shares of Series A Preferred Stock shall be entitled to receive dividends, out of any assets legally available therefor, prior and in preference to any

declaration or payment of any dividend (payable other than in Common Stock or other securities and rights convertible into or entitling the holder thereof to receive, directly or indirectly, additional shares of Common Stock of the Corporation) on the Common Stock of the Corporation at a rate of \$4.80 per share (as adjusted for stock splits, stock dividends, reclassifications and the like) per annum on each outstanding share of Series A Preferred Stock, payable quarterly when, as and if declared by the Board of Directors and at a rate determined by Board of Directors on an as-converted basis. Such dividends shall not be cumulative.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) above immediately prior to it declaring a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock or other securities and rights convertible into or entitling the holder thereof to receive, directly or indirectly, additional shares of Common Stock of the Corporation).

Section 3. VOTING RIGHTS. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) The holder of each share of Series A Preferred Stock shall have the right to one vote for each share of Common Stock into which such Preferred Stock could then be converted, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Common Stock, and shall be entitled, notwithstanding any provision hereof, to notice of any shareholders' meeting in accordance with the bylaws of the Corporation, and shall be entitled to vote, together with holders of Common Stock, with respect to any question upon which holders of Common Stock have the right to vote. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as-converted basis (after aggregating all shares into which shares of Series A Preferred Stock held by each holder could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward).

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(C) Except as provided herein or by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. REACQUIRED SHARES. Any shares of Series A Preferred Stock redeemed, purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 5. LIQUIDATION, DISSOLUTION OR WINDING UP.

(A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, plus an amount equal to \$60.00 for each share (the "SERIES A LIQUIDATION PREFERENCE"). After payment has been made to the holders of the Series A Preferred Stock of the full amounts to which they shall be entitled pursuant to this Section 5(A) above and subject to the rights of series of Preferred Stock which may from time to time come into existence, all remaining assets of the Corporation available for distribution to its shareholders, if any, shall be distributed ratably to the holders of Common Stock.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, which rank on a parity with the Series A Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences.

Section 6. CONVERSION. The Corporation and the holders of the Series A Preferred Stock shall have conversion rights as follows (the "CONVERSION RIGHTS"):

(A) RIGHT TO CONVERT. Subject to Section 6(C), each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of the Corporation or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing (i) \$60.00 by (ii) the Series A Conversion Price (determined as hereafter provided) (the "CONVERSION RATE") in effect on the effective date of the conversion. The Series A Conversion Price shall initially be \$6.00.

(B) AUTOMATIC CONVERSION.

(i) Each share of Series A Preferred Stock shall automatically be converted into shares of Common Stock at the Conversion Rate on the third year anniversary of the closing of the Corporation's initial sale of shares of Series A Preferred Stock.

(ii) Each share of Series A Preferred Stock shall automatically be converted into shares of Common Stock at the Conversion Rate upon the date specified by written consent or agreement of the holders of at least a majority of the then outstanding shares of Series A Preferred Stock.

(C) MECHANICS OF CONVERSION. Before any holder of Series A Preferred Stock shall be entitled to convert the same into shares of Common Stock, the holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Series A Preferred Stock, and shall give written notice to the Corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued.

The Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Series A Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series A Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date.

(D) CONVERSION PRICE ADJUSTMENTS OF PREFERRED STOCK FOR CERTAIN SPLITS AND COMBINATIONS. The Series A Conversion Price shall be subject to adjustment from time to time as follows:

(i) In the event the Corporation should at any time or from time to time after the closing of the Corporation's initial sale of shares of Series A Preferred Stock (the "PURCHASE DATE") fix a record date for the effectuation of a split or subdivision of the outstanding shares of Common Stock or the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock (hereinafter referred to as "COMMON STOCK EQUIVALENTS") without payment of any consideration by such holder for the additional shares of Common Stock or the Common Stock Equivalents (including the additional shares of Common Stock issuable upon conversion or exercise thereof), then, as of such record date (or the date of such dividend distribution, split or subdivision if no record date is fixed), the Series A Conversion Price shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each share of Series A Preferred Stock shall be increased in proportion to such increase of the aggregate of shares of Common Stock outstanding and those issuable with respect to such Common Stock Equivalents with the number of shares issuable with respect to Common Stock Equivalents determined from time to time.

(ii) If the number of shares of Common Stock outstanding at any time after the Purchase Date is decreased by a combination of the outstanding shares of Common Stock, then, following the record date of such combination, the Series A Conversion Price shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in outstanding shares.

(iii) If on the Purchase Date, the closing sale price for the Common Stock as reported on the Nasdaq National Market (or such other exchange or over-the-counter market in which the Common Stock is being traded) (the "CLOSING PRICE") is less than \$5.50, then, in the event the average Closing Price for the last twenty (20) trading days of the two hundred seventy (270) calendar day period commencing on the day following the Purchase Date (the "PERIOD AVERAGE") is less than \$5.50, the Series A Conversion Price shall be decreased by multiplying the Series A Conversion Price on such date by a fraction, the numerator of which is the greater of (x) \$4.50 or (y) the Period Average, and the denominator of which is \$6.00;

PROVIDED THAT, if, during any period of twenty (20) consecutive trading days commencing after the one hundred twenty (120) calendar day period beginning on the day following the Purchase Date, the Closing Price is at least \$9.00, then, the conversion adjustment feature set forth in this Section 6(D)(iii) shall terminate and be of no further effect with respect to all of the shares of Series A-2 Preferred Stock.

(iv) The following provisions shall apply for purposes of this Section 6(D):

(a) The aggregate maximum number of shares of Common Stock deliverable upon conversion or exercise of Common Stock Equivalents (assuming the satisfaction of any conditions to convertibility or exercisability, including, without limitation, the passage of time, but without taking into account potential antidilution adjustments) shall be deemed to have been issued at the time such Common Stock Equivalents were issued.

(b) In the event of any change in the number of shares of Common Stock deliverable or in the consideration payable to the Corporation upon conversion or exercise of such Common Stock Equivalents including, but not limited to, a change resulting from the antidilution provisions thereof, the Series A Conversion Price, to the extent in any way affected by or computed using such Common Stock Equivalents, shall be recomputed to reflect such change, but no further adjustment shall be made for the actual issuance of Common Stock or any payment of such consideration upon the exercise of any such options or rights or the conversion or exchange of such securities.

(c) Upon the termination or expiration of the convertibility or exercisability of any such Common Stock Equivalents, the Series A Conversion Price, to the extent in any way affected by or computed using such Common Stock Equivalents, shall be recomputed to reflect the issuance of only the number of shares of Common Stock (and Common Stock Equivalents which remain convertible or exercisable) actually issued upon the conversion or exercise of such Common Stock Equivalents.

Section 7. AMENDMENT. The Articles of Incorporation of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preference or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting separately as a class.

Section 8. FRACTIONAL SHARES. Series A Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock.

RESOLVED FURTHER, that the President or any Vice President and the Secretary or any Assistant Secretary of this Corporation be, and they hereby are, authorized and directed to prepare and file a Certificate of Determination of Rights, Preferences and Privileges in accordance with the foregoing resolution and the provisions of California law and to take such actions as they may deem necessary or appropriate to carry out the intent of the foregoing resolution."

3. That the authorized number of shares of Preferred Stock of the Corporation is 2,000,000, the authorized number of shares of Series A-1 Preferred Stock is 50,000 and the authorized number of shares of Series A-2 Preferred Stock is 116,667. None of the shares of Series A-1 Preferred Stock or Series A-2 Preferred Stock has been issued.

We further declare under penalty of perjury that the matters set forth in the foregoing Certificate of Determination are true and correct of our own knowledge.

Executed at Menlo Park, California on November 18, 1999.

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

Stephen E. Halprin, Secretary

EMPLOYMENT AND NON-COMPETITION AGREEMENT

This Employment and Non-Competition Agreement (the "AGREEMENT") is dated as of November 29, 1999, by and among Nicholas Tompkins ("TOMPKINS"), Landec Corporation, a California corporation ("LANDEC"), and Bush Acquisition Corporation, a Delaware corporation and subsidiary of Landec ("NEW APIO"), but shall only be effective upon the Closing of the transactions set forth in the Purchase Agreement (as defined below).

RECITALS

A. This Agreement is entered into in connection with that certain Agreement and Plan of Merger and Purchase Agreement, dated as of November 29, 1999 (the "PURCHASE AGREEMENT"), by and among Landec, New Apio, and certain other parties. Pursuant to the terms of the Purchase Agreement, New Apio will acquire all of the stock and/or partnership interests (the "ACQUISITION") of an integrated produce harvesting, packing, cooling and distribution business (the "BUSINESS").

B. In order to induce Landec and New Apio to consummate the Acquisition, Tompkins is willing to enter into this Agreement.

AGREEMENT

The parties hereby agree as follows:

1. TERM OF AGREEMENT. This Agreement shall commence on the Closing of the transactions contemplated by the Purchase Agreement (the "EFFECTIVE DATE") and shall have a term of five (5) years therefrom (the "EMPLOYMENT TERM").

2. DUTIES OF TOMPKINS DURING EMPLOYMENT TERM.

(a) POSITION. During the Employment Term, Tompkins shall be employed as Senior Vice President of Landec and Chief Executive Officer of New Apio, and as such, will have overall responsibility for certain financial results and the marketing, sales, strategic planning, and operations (including day-to-day operations) of New Apio. Tompkins will report to the Chief Executive Officer and President of Landec.

(b) OBLIGATIONS. Tompkins agrees to the best of his ability and experience that he will at all times loyally and conscientiously perform all of the duties and obligations required of and from him pursuant to the terms hereof, and to the reasonable satisfaction of the President of Landec. During the Employment Term, Tompkins further agrees that he will devote a substantial majority of his business time and attention to the business of New Apio and New Apio will be entitled to all of the benefits and profits arising from or incident to all such work services and advice. During the Employment Term, except to the extent necessary in connection with the liquidation of any Unacquired Party (as defined in the Purchase Agreement), Tompkins will not directly or indirectly engage or participate in any business that is competitive in any manner with the business of New Apio, Landec or any subsidiary or parent corporation of New

Apio or Landec. Tompkins will comply with and be bound by New Apio's operating policies, procedures and practices from time to time in effect during the term of Tompkins' employment.

3. COMPENSATION DURING EMPLOYMENT TERM. For the duties and services to be performed by Tompkins as an employee hereunder, Landec and New Apio shall provide compensation and other benefits as follows:

(a) SALARY. Tompkins shall receive a monthly salary of at least \$16,666.67, which is equivalent to \$200,000.00 on an annualized basis. Tompkins' monthly salary will be payable in regular installments pursuant to New Apio's normal payroll practices.

(b) LANDEC OPTION GRANT. At the Closing, Landec will issue to Tompkins options to purchase 850,000 shares of the Common Stock of Landec (the "LANDEC OPTION") with an exercise price equal to the fair market value of the underlying shares as of such date, as measured in accordance with the appropriate accounting policies of Landec. The right to exercise the Landec Option will vest at the rate of 1/2 of the shares subject thereto on the first anniversary of the date of the grant and an additional 1/24th of the shares subject thereto at the end of each one month period thereafter (total vesting in 24 months), provided that as of each such date, Tompkins' employment with New Apio has not been terminated. In the event Tompkins' employment is terminated by Involuntary Termination, Tompkins' right to exercise the Landec Option will vest immediately in full. The Landec Option will be an Incentive Stock Option to the maximum extent allowed by the Internal Revenue Code of 1986, as amended, and will be subject to the terms of each of the Stock Option Agreements attached hereto as EXHIBIT A-1 AND A-2. The right to exercise the Landec Option as to 60,000 shares shall terminate upon the earlier of the sixth anniversary of the date of issuance or thirty (30) days after the termination of Tompkins' employment and the Landec Option as to 790,000 shares shall terminate upon the sixth anniversary of the date of issuance or, if Tompkins employment with New Apio is terminated other than by Involuntary Termination, thirty (30) days after the termination of employment. In addition to the Landec Option, to the extent any shares of Common Stock of Landec subject to any option granted to the Chief Operating Officer of New Apio do not vest due to such Chief Operating Officer's termination of employment, within five (5) years after the date of his hiring, Landec agrees to grant an additional option for such number of unvested shares of Landec Common Stock (not to exceed 150,000 shares) to Tompkins at the fair market value of such stock at the time of such termination and Tompkins' right to exercise such options shall vest in accordance with this Section 3(b).

(c) RESTRICTIONS ON DISPOSITION. During the period commencing on the date of issuance of the Landec Option and ending on the second anniversary thereof, Tompkins agrees that he will not sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of, or offer or agree to do any of the foregoing, or in any other way reduce the risk of his ownership of or investment in the shares of Landec Common Stock underlying the Landec Option (the "LANDEC STOCK"), or any securities which may be paid as a dividend or otherwise distributed thereon or with respect thereto or issued or delivered in exchange or substitution therefor or any option, right or other interest with respect to any of the Landec Stock or aforementioned securities.

(d) NEW APIO STOCK OPTION. On the Effective Date, Tompkins will be granted an option to purchase two million (2,000,000) shares of the Common Stock of New Apio (the "OPTION"), with an exercise price equal to the fair market value as of the Effective Date, as determined in good faith by New Apio's Board of Directors in light of the Acquisition and the related contribution of certain assets by Landec to New Apio, which represents ten percent (10%) of the outstanding capital stock (including shares subject to the Option, but not including any shares reserved for future issuance under any option plan for the benefit of employees of and consultants to New Apio) as of the date of issuance. The right to exercise the Option will vest at the rate of 1/5th of the shares subject thereto on the first anniversary of the date of the grant and an additional 1/60th of the shares subject thereto at the end of each one month period thereafter (total vesting in 60 months), provided that as of each such date, Tompkins' employment with New Apio has not been terminated. The Option will be an Incentive Stock Option to the maximum extent allowed by the Internal Revenue Code of 1986, as amended, and will be subject to the terms of the Stock Option Agreement attached hereto as EXHIBIT B. The right to exercise the options shall terminate upon the earlier of the tenth anniversary of the date of issuance or thirty (30) days after the termination of Tompkins' employment.

(e) BONUSES. Beginning one year after the date of this Agreement, New Apio agrees, in good faith to evaluate the propriety of a bonus program for Tompkins. Notwithstanding the foregoing, Tompkins' entitlement to any incentive bonuses from New Apio is discretionary and shall be determined by the Board of New Apio, or its Compensation Committee in good faith.

(f) ADDITIONAL BENEFITS. During the Employment Term, Tompkins will be eligible to participate in New Apio's employee benefit plans of general application including, without limitation, those plans covering medical, disability and life insurance in accordance with the rules established for individual participation in any such plan and under applicable law. Tompkins will be eligible for vacation and sick leave in accordance with the policies in effect during the term of this Agreement and will receive such other benefits as New Apio generally provides to its other employees of comparable position and experience.

(g) REIMBURSEMENT OF EXPENSES. Tompkins shall be authorized to incur on behalf and for the benefit of, and shall be reimbursed by, New Apio for reasonable expenses, provided that such expenses are substantiated in accordance with New Apio policies.

(h) INSURANCE PREMIUMS. During the Employment Term, Landec and New Apio shall pay the premiums on the life insurance policies listed, with respect to Tompkins, on Schedule 4.18 to the Purchase Agreement. Upon termination of this Agreement, Tompkins shall have the option to purchase any such life insurance policy for its then cash surrender value.

4. REQUEST FOR REGISTRATION.

If New Apio shall receive at any time after the third anniversary of the Effective Date, a written request from Tompkins that New Apio file a registration statement under the Securities Act of 1933 (the "Securities Act") covering the registration of shares of the Common Stock of New Apio, then New Apio shall, (a) subject to the terms and conditions set forth in the

Rights Agreement, use its best efforts to effect, as soon as practicable, the registration under the Securities Act of all Common Stock of New Apio held by Tompkins which the Tompkins requests to be registered in accordance with the terms set forth in the Rights Agreement attached hereto as EXHIBIT C (the "RIGHTS AGREEMENT"), and (b) agree to include New Shares (as defined in the Rights Agreement) representing not greater than twenty percent (20%) of the then outstanding capital stock of New Apio in such registration. The terms and conditions of such rights of registration shall be governed by the Rights Agreement.

5. TERMINATION AND SEVERANCE BENEFITS.

(a) TERMINATION OF EMPLOYMENT. This Agreement may be terminated:

(i) By New Apio for Cause (as defined below) ("TERMINATION FOR CAUSE");

(ii) By Tompkins, on the effective date of a written notice sent to New Apio from Tompkins stating that Tompkins is electing to terminate his employment with New Apio ("VOLUNTARY TERMINATION"); or

(iii) By Tompkins, on the effective date of a written notice sent to New Apio from Tompkins stating that Tompkins' employment has been terminated by a Constructive Termination (as defined below).

(b) SEVERANCE BENEFITS. Tompkins shall be entitled to receive severance benefits upon the termination of his employment only as set forth in this Section 5(b):

(i) VOLUNTARY TERMINATION. If Tompkins' relationship with New Apio terminates by Voluntary Termination, then Tompkins shall not be entitled to receive payment of severance benefits. Tompkins will receive payment(s) for all salary and unpaid vacation accrued as of the date of Tompkins' termination of employment and Tompkins' benefits will be continued under New Apio's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

(ii) INVOLUNTARY TERMINATION. If Tompkins' relationship with New Apio is terminated by a Constructive Termination (as defined below) or for any reason other than by reason of Tompkins' Voluntary Termination or a Termination for Cause, including the death or permanent disability of Tompkins (an "INVOLUNTARY TERMINATION"), provided that at no time during the Severance Period is Tompkins in violation of any material term of this Agreement, including without limitation, the non-competition provisions hereof, Tompkins or his estate will be entitled to receive payment of severance benefits equal to Tompkins' regular monthly salary from the date of such Involuntary Termination until the expiration of the Employment Term (the "SEVERANCE PERIOD"). Such payments shall be made ratably over the Severance Period according to New Apio's standard payroll schedule. In such event, Tompkins will also be entitled to receive payment on the date of termination of any bonus payable under Section 3(e) pro-rated for the period during which Tompkins was employed as compared with the period for which the bonus

was being earned. Under such circumstances, health insurance benefits with the same coverage provided to Tompkins prior to the termination (e.g. medical, dental, optical, mental health) and in all other respects significantly comparable to those in place immediately prior to the termination will be provided at New Apio's cost until the end of the Employment Term. The foregoing benefits are the only benefits that Tompkins shall be entitled to receive in connection with an Involuntary Termination and state the maximum collective liability of Landec and New Apio with respect to the termination of the employment of Tompkins.

(iii) TERMINATION FOR CAUSE. If Tompkins' employment is terminated for Cause, then Tompkins shall not be entitled to receive payment of any severance benefits. Tompkins will receive payment(s) for all salary and unpaid vacation accrued as of the date of Tompkins' termination of employment and Tompkins' benefits will be continued under New Apio's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

(iv) CONSTRUCTIVE TERMINATION. A "CONSTRUCTIVE TERMINATION" shall be deemed to occur if: (A) (1) there is a material change in Tompkins' position causing such position to be of materially less stature or of less responsibility, (2) there is a material breach by New Apio of any of its obligations hereunder, or (3) Tompkins is required as a condition of his continued employment with New Apio to relocate to a facility or location more than fifty (50) miles from the location of employment designated for Tompkins as of the Effective Date; and (B) within the sixty (60) day period immediately following such a change, reduction or required relocation, Tompkins elects to terminate his employment voluntarily.

(v) CAUSE. For purposes of this Agreement, "CAUSE" for Tompkins' termination will exist at any time after the happening of one or more of the following events:

(A) Tompkins' willful misconduct or gross negligence in performance of his duties hereunder;

(B) Tompkins' repeated or unjustified unavailability to perform his duties in accordance with this Agreement, which is not cured within thirty (30) days of written notice from New Apio to Tompkins in accordance with the terms hereof;

(C) Tompkins' dishonest or fraudulent conduct, a deliberate attempt to do an injury to New Apio or Landec or intentional, reckless or grossly negligent conduct that materially discredits New Apio or Landec or is materially detrimental to the reputation of New Apio or Landec, including, without limitation, conviction of a felony;

(D) Tompkins' breach of any element of the Confidentiality Agreement (as defined below), including without limitation, Tompkins' theft or other misappropriation of New Apio's or Landec's proprietary information; or

(E) Tompkins' breach of any material provision of this Agreement, including without limitation any of the non-competition provisions hereof, in any

other respect than as described above, which Tompkins fails to cure within ten (10) days of receipt of written notice from Landec identifying such breach.

6. AGREEMENT NOT TO COMPETE.

(a) EXPERIENCE AND SKILL OF TOMPKINS. As a principal agent of the Business, Tompkins has been actively involved in the management of the Business for many years and has thereby acquired considerable experience and skill. Landec and New Apio wish to protect their investment in the Business by restricting the activities of Tompkins which might compete with or otherwise harm such Business, and as part of the consideration and inducement to Landec and New Apio for acquiring the Business, Tompkins is willing to agree to and abide by such restrictions as hereinafter provided.

(b) COVENANT NOT TO COMPETE.

(i) GENERAL. Tompkins acknowledges that he holds a substantial fraction of the ownership interest in the Business. Tompkins further acknowledges that the value of the consideration paid by New Apio in connection with the Acquisition is substantial and that preservation of the goodwill associated with the Business is a part of the consideration which New Apio and Landec are receiving in the Acquisition. Landec and New Apio desire that Tompkins enter into a non-competition agreement with New Apio as set forth in this section and Tompkins is willing to agree to such non-competition provisions as set forth herein. The Sellers (as defined in the Purchase Agreement) and Tompkins agree that such non-competition provisions are separately bargained-for consideration and are material inducements to Landec and New Apio to consummate the Acquisition.

(ii) NON-COMPETE. In connection with the Acquisition, Tompkins agrees that, for a period of five (5) years following the Closing (the "RESTRICTION PERIOD"), except (i) as an employee or consultant of Landec, New Apio or another subsidiary of Landec or New Apio or (ii) to the extent necessary in connection with the liquidation of any Unacquired Party (as defined in the Purchase Agreement), Tompkins will not own, operate, manage, or provide consulting services to, or be an employee of, or own an interest in, or be a proprietor, owner, partner, stockholder, director, officer, employee, consultant, agent or representative of, a person, corporation, partnership or other entity, including, without limitation, a family member, which owns, operates, manages, or provides consulting services to, or in any other way provides services to, either directly or indirectly, any business or businesses engaged in the "RESTRICTED BUSINESS" in a "RESTRICTED TERRITORY" (as such terms are defined below). Notwithstanding the foregoing, nothing contained in this Section shall prohibit Tompkins from making investments in any corporation whose securities are regularly and publicly traded on a national stock exchange or the Nasdaq National Market, provided that such investments shall not result in his owning beneficially at any time five percent (5%) or more of the equity securities of any corporation which is engaged in the Restricted Business.

(iii) CERTAIN DEFINITIONS. For purposes of this Section 6:

(A) "PRODUCE" shall mean as of any point in time, any food product of the type which is then being regularly processed or sold by New Apio.

(B) "RESTRICTED BUSINESS" shall mean the harvesting, packing, cooling and distribution of Produce or the farming, leasing or subleasing of farm land on which Produce is grown other than for subsequent sale to or processing by New Apio.

(C) "RESTRICTED TERRITORY" shall mean the counties, cities and states of the United States of America, including, without limitation, California, and each political subdivision and/or nation of Canada, Mexico, Asia, Europe, and Central and South America.

(iv) SOLICITATION. During the Restriction Period, Tompkins shall not (i) engage or participate in any effort or act to solicit customers, suppliers, associates or employees of New Apio to cease doing business, or their association or employment with New Apio, or (ii) interfere in any manner in the contractual or employment relationship between Landec, New Apio and any customer, supplier, associate or employee of Landec or New Apio.

(v) REFORMATION. In the event that the provisions of this Section should ever be deemed by a court of competent jurisdiction to exceed the scope, time or geographic limitations of applicable law regarding covenants not to compete, then such provisions shall be automatically reformed to the maximum scope, time or geographic limitations, as the case may be, permitted by applicable laws.

(c) CONSIDERATION FOR COVENANT NOT TO COMPETE. The sole consideration for Tompkins' faithful performance of his obligations set forth in this Agreement is the willingness of New Apio and Landec to consummate the Acquisition.

(d) REPRESENTATIONS OF TOMPKINS. Tompkins represents that: (i) he is familiar with the covenants not to compete and not to solicit set forth in this Agreement, (ii) he is fully aware of his obligations under this Agreement, including, without limitation, the length of time, scope and geographic coverage of these covenants, (iii) he is receiving specific, bargained-for consideration for his covenants not to compete and not to solicit, and (iv) execution of this Agreement, and performance of Tompkins' obligations under this Agreement, will not conflict with, or result in a violation or breach of, any other agreement to which Tompkins is a party or any judgment, order or decree to which Tompkins is subject.

(e) BREACH. Tompkins acknowledges that in the event of breach of any of the provisions of this Agreement by Tompkins, Landec and New Apio would sustain irreparable harm, and, therefore, Tompkins agrees that in addition to any other remedies which Landec or New Apio may have under this Agreement or otherwise, New Apio shall be entitled to obtain equitable relief, including specific performance and injunctions restraining Tompkins from committing or continuing any such violation of this Section.

(f) REASONABLENESS OF RESTRICTIONS. Tompkins acknowledges that the length, scope and geographic coverage to which the restrictions imposed in this Section shall apply are fair and reasonable and are reasonably required for the protection of Landec and New Apio and that the definition of Restricted Business used in this Agreement conforms to the Business as currently conducted or proposed to be conducted.

7. ELECTION TO NEW APIO'S BOARD OF DIRECTORS. During the Employment Term, and so long as (a) Tompkins remains the Chief Executive Officer of New Apio, and (b) Tompkins has not breached any of the material terms of this Agreement, including without limitation, the non-competition provisions hereof, Landec will vote such shares of New Apio as are held by it, so as to cause Tompkins to be elected to New Apio's Board of Directors.

8. CONFIDENTIALITY AGREEMENT. Tompkins shall sign, or has signed, a Proprietary Information and Assignment of Inventions Agreement (the "CONFIDENTIALITY AGREEMENT") substantially in the form attached hereto as EXHIBIT D. Tompkins hereby represents and warrants to New Apio that he has complied with all obligations under the Confidentiality Agreement and agrees to continue to abide by the terms of the Confidentiality Agreement and further agrees that the provisions of the Confidentiality Agreement shall survive any termination of this Agreement or of Tompkins' employment with New Apio in accordance with the terms thereof.

9. CONFLICTS. Tompkins represents that his performance of all the terms of this Agreement will not breach any other agreement to which Tompkins is a party. Tompkins has not, and will not during the term of this Agreement, enter into any oral or written agreement in conflict with any of the provisions of this Agreement. Tompkins further represents that he is entering into or has entered into an employment relationship with New Apio of his own free will.

10. MISCELLANEOUS PROVISIONS.

(a) AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended or waived only with the written consent of the parties.

(b) NOTICES. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or by a nationally-recognized delivery service (such as Federal Express or UPS), or forty-eight (48) hours after being deposited in the U.S. mail as certified or registered mail with postage prepaid, if such notice is addressed to the party to be notified at such party's address as set forth below or as subsequently modified by written notice.

(c) CHOICE OF LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California, without giving effect to the principles of conflict of laws.

(d) SEVERABILITY. The parties intend that the covenants contained in Section 6 shall be construed as a series of separate covenants, one for each county, city, state, nation, and other political subdivision of the Restricted Territory. It is the intent of the parties that the covenants set forth herein be enforced to the maximum degree permitted by applicable law.

Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the covenant contained in the preceding paragraphs. If, in any judicial proceeding, a court shall refuse to enforce any of the separate covenants (or any part thereof) deemed included in Section 6, then such unenforceable covenant (or such part) shall be deemed eliminated from this Agreement for the purpose of those proceedings to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced by such court. If one or more of the other provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(e) COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

(f) ARBITRATION. Any dispute or claim arising out of or in connection with this Agreement will be finally settled by binding arbitration in San Jose, California in accordance with the Commercial Arbitration rules of the American Arbitration Association by one arbitrator appointed in accordance with said rules. The arbitrator shall apply California law, without reference to rules of conflicts of law or rules of statutory arbitration, to the resolution of any dispute. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Notwithstanding the foregoing, the parties may apply to any court of competent jurisdiction for preliminary or interim equitable relief, or to compel arbitration in accordance with this paragraph, without breach of this arbitration provision. This Section 10(f) shall not apply to the Confidentiality Agreement. The prevailing party in any such arbitration shall be entitled to an award of attorneys' fees and costs of the arbitration against the other party.

(g) ADVICE OF COUNSEL. EACH PARTY TO THIS AGREEMENT ACKNOWLEDGES THAT, IN EXECUTING THIS AGREEMENT, SUCH PARTY HAS HAD THE OPPORTUNITY TO SEEK THE ADVICE OF INDEPENDENT LEGAL COUNSEL, AND HAS READ AND UNDERSTOOD ALL OF THE TERMS AND PROVISIONS OF THIS AGREEMENT. THIS AGREEMENT SHALL NOT BE CONSTRUED AGAINST ANY PARTY BY REASON OF THE DRAFTING OR PREPARATION HEREOF.

(h) WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY LAW, EACH OF THE PARTIES WAIVES ANY RIGHT TO TRIAL BY JURY THAT THE PARTIES MAY HAVE IN ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS RELATED HERETO.

(i) ENTIRE AGREEMENT. This Agreement, together with all attachments hereto, the Purchase Agreement and all attachments thereto, and the Indemnification Agreement between Tompkins and Landec, represents the entire agreement of the parties with respect hereto and thereto, and merge all prior negotiations and drafts of the parties with regard to the

transactions contemplated herein and therein. Any and all other written or oral agreements existing between the parties hereto regarding such transactions are expressly canceled.

The parties have executed this Employment and Non-Competition Agreement the date first written above.

LANDEC CORPORATION

Gary T. Steele, President & CEO

Address: 3603 Haven Avenue
Menlo Park, California 94025

BUSH ACQUISITION CORPORATION

Gary T. Steele, President & CEO

Address: 3603 Haven Avenue
Menlo Park, California 94025

Nicholas Tompkins

Address: 193 Oak Grove Lane
Arroyo Grande, California 93420

[SIGNATURE PAGE TO TOMPKINS EMPLOYMENT AGREEMENT]

LANDEC CORPORATION
NOTICE OF STOCK OPTION GRANT

Optionee's Name and Address:

Nicholas Tompkins
193 Oak Grove Lane
Arroyo Grande, CA 93420

Pursuant to your Employment and Non-Competition Agreement dated November 29, 1999 (the "Employment Agreement"), you have been granted an option to purchase shares of Common Stock ("Shares") of Landec Corporation (the "Company") as follows:

Board Approval Date:	November 22, 1999
Date of Grant	November 29, 1999
Exercise Price Per Share:	\$6.25
Total Number of Shares Granted:	790,000
Total Price of Shares Granted:	\$4,937,500
Type of Option:	Nonstatutory Stock Option
Expiration Date:	November 29, 2005
Vesting Commencement Date:	November 29, 1999
Vesting Schedule:	The right to exercise the Option will vest at the rate of 1/2 of the shares subject thereto on the first anniversary of the Vesting Commencement Date and an additional 1/24th of the shares subject thereto at the end of each one month period thereafter (total vesting in 24 months); PROVIDED THAT, you are employed by Bush Acquisition Corporation on the relevant vesting date; PROVIDED FURTHER THAT, if at any time during such 24-month period, if your employment with Bush Acquisition Corporation is ended by Involuntary Termination (as defined in the Employment Agreement), then all shares shall vest immediately.

Termination Period:

The right to exercise the options shall terminate upon the sixth anniversary of the Date of Grant or, if your employment with Bush Acquisition Corporation is ended other than by Involuntary Termination, thirty (30) days after the termination of your employment with Bush Acquisition Corporation, but in no event later than the Expiration Date.

By your signature and the signature of the Company's representative below, you and the Company agree that this option is granted under and governed by the terms and conditions of the Stock Option Agreement and the Employment Agreement, both of which are attached and made a part of this document.

NICHOLAS TOMPKINS:

LANDEC CORPORATION

Signature

By: -----

Print Name

Title: President and Chief Executive Officer

LANDEC CORPORATION
STOCK OPTION AGREEMENT

1. GRANT OF OPTION. LANDEC CORPORATION, a California corporation (the "COMPANY"), hereby grants to the Optionee named in the Notice of Stock Option Grant attached to this Agreement ("OPTIONEE"), an option (the "OPTION") to purchase the total number of shares of Common Stock (the "SHARES") set forth in the Notice of Stock Option Grant, at the exercise price per share set forth in the Notice of Stock Option Grant (the "EXERCISE PRICE") subject to the terms, definitions and provisions of the Employment Agreement, which is incorporated in relevant part in this Agreement by reference. In the event of a conflict between the terms of the Employment Agreement and the terms of this Agreement, the terms of this Agreement shall govern. Unless otherwise defined in this Agreement, the terms used in this Agreement shall have the meanings defined in the Employment Agreement.

This Option is intended to be a Nonstatutory Stock Option.

2. EXERCISE OF OPTION. This Option shall be exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Stock Option Grant and with the following provisions:

(a) RIGHT TO EXERCISE.

(i) This Option may not be exercised for a fraction of a share.

(ii) In no event may this Option be exercised after the date of expiration of the term of this Option as set forth in the Notice of Stock Option Grant.

(b) METHOD OF EXERCISE.

(i) This Option shall be exercisable by delivering to the Company a written notice of exercise (in the form attached as EXHIBIT A) which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such Shares of Common Stock as may be required by the Company pursuant to the provisions of the Resolutions. Such written notice shall be signed by Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The written notice shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company of such written notice accompanied by the Exercise Price.

(ii) As a condition to the exercise of this Option, Optionee agrees to make adequate provision for federal, state or other tax withholding obligations, if any, which arise upon the exercise of the Option or disposition of Shares, whether by withholding, direct payment to the Company, or otherwise.

(iii) No Shares will be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of law and the

requirements of any stock exchange upon which the Shares may then be listed. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Optionee on the date on which the Option is exercised with respect to such Shares.

3. OPTIONEE'S REPRESENTATIONS. In the event the Shares purchasable pursuant to the exercise of this Option have not been registered under the Securities Act of 1933, as amended (the "SECURITIES ACT"), at the time this Option is exercised, Optionee shall, if required by the Company, concurrently with the exercise of all or any portion of this Option, deliver to the Company an investment representation statement in customary form, a copy of which is available for Optionee's review from the Company upon request.

4. METHOD OF PAYMENT. Payment of the Exercise Price shall be by any of the following, or a combination of the following, at the election of Optionee: (a) cash; (b) check; (c) surrender of other Shares of Common Stock of the Company that (i) either have been owned by Optionee for more than six (6) months on the date of surrender or were not acquired, directly or indirectly, from the Company, and (ii) have a Fair Market Value (as defined below) on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised; (d) authorization from the Company to retain from the total number of Shares as to which the Option is exercised that number of Shares having a Fair Market Value on the date of exercise equal to the exercise price for the total number of Shares as to which the Option is exercised; or (e) if there is a public market for the Shares and they are registered under the Securities Act, delivery of a properly executed exercise notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the exercise price.

For purposes of this Agreement "FAIR MARKET VALUE" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system including without limitation the National Market of the National Association of Securities Dealers, Inc. Automated Quotation ("Nasdaq") System, its Fair Market Value shall be the closing sales price for such stock as quoted on such system on the date of determination (if for a given day no sales were reported, the closing bid on that day shall be used), as such price is reported in The Wall Street Journal or such other source as the Board of Directors deems reliable;

(ii) If the Common Stock is quoted on the Nasdaq System (but not on the National Market thereof) or regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the bid and asked prices for the Common Stock or;

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Board of Directors.

5. RESTRICTIONS ON EXERCISE. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations ("REGULATION G") as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

6. TERMINATION OF RELATIONSHIP. In the event of termination of Optionee's employment with Bush Acquisition Corporation, Optionee may, to the extent otherwise so entitled at the date of such termination (the "TERMINATION DATE"), exercise this Option during the Termination Period set out in the Notice of Stock Option Grant. To the extent that Optionee was not entitled to exercise this Option at the date of such termination, or if Optionee does not exercise this Option within the time specified in the Notice of Stock Option Grant, the Option shall terminate.

7. NON-TRANSFERABILITY OF OPTION. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution. The designation of a beneficiary does not constitute a transfer. An Option may be exercised during the lifetime of Optionee only by Optionee or a transferee permitted by this section. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of Optionee.

8. TERM OF OPTION. This Option may be exercised only within the term set out in the Notice of Stock Option Grant, and may be exercised during such term only in accordance with the Employment Agreement and the terms of this Agreement.

9. NO ADDITIONAL EMPLOYMENT RIGHTS. Optionee understands and agrees that the vesting of Shares pursuant to the Vesting Schedule is earned only by continuing as an employee at the will of the Company (not through the act of being hired, being granted this Option or acquiring Shares under this Agreement). Optionee further acknowledges and agrees that nothing in this Agreement shall confer upon Optionee any right with respect to continuation as an Employee or Consultant with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

10. TAX CONSEQUENCES. Optionee acknowledges that he or she has read the brief summary set forth below of certain federal tax consequences of exercise of this Option and disposition of the Shares under the law in effect as of the date of grant. OPTIONEE UNDERSTANDS THAT THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT HIS OR HER OWN TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) EXERCISE OF NONSTATUTORY STOCK OPTION. Because this Option does not qualify as an Incentive Stock Option, Optionee may incur regular federal income tax liability upon the exercise of the Option. Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value

of the Shares on the date of exercise over the Exercise Price. In addition, if Optionee is an employee of the Company, the Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

(b) DISPOSITION OF SHARES. Because this Option is a Nonstatutory Stock Option, then gain realized on the disposition of Shares will be treated as long-term or short-term capital gain depending on whether or not the disposition occurs more than one year after the exercise date.

11. SIGNATURE. This Stock Option Agreement shall be deemed executed by the Company and Optionee upon execution by such parties of the Notice of Stock Option Grant attached to this Stock Option Agreement.

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EXHIBIT A
NOTICE OF EXERCISE

To: Landec Corporation
Attn:
Subject: NOTICE OF INTENTION TO EXERCISE STOCK OPTION

This is official notice that the undersigned ("OPTIONEE") intends to exercise Optionee's option to purchase _____ shares of Landec Corporation Common Stock, under and pursuant to the Stock Option Agreement dated _____, as follows:

Grant Number: -----
Date of Purchase: -----
Number of Shares: -----
Purchase Price: -----
Method of Payment
of Purchase Price: -----

Social Security No.: -----

The shares should be issued as follows:

Name: -----
Address: -----

Signed: -----
Date: -----

APIO, INC.
1999 STOCK OPTION PLAN

1. PURPOSES OF THE PLAN. The purposes of this 1999 Stock Option Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants of the Company and its Subsidiaries and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options (as defined under Section 422 of the Code) or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an option and subject to the applicable provisions of Section 422 of the Code, as amended, and the regulations promulgated thereunder.

2. DEFINITIONS. As used herein, the following definitions shall apply:

(a) "ADMINISTRATOR" means the Board or any of its Committees appointed pursuant to Section 4 of the Plan.

(b) "BOARD" means the Board of Directors of the Company.

(c) "CODE" means the Internal Revenue Code of 1986, as amended.

(d) "COMMITTEE" means the Committee appointed by the Board of Directors in accordance with Section 4(a) and (b) of the Plan.

(e) "COMMON STOCK" means the Common Stock of the Company.

(f) "COMPANY" means Apio, Inc. a Delaware corporation.

(g) "CONSULTANT" means any person, including an advisor, who is engaged by the Company or any Parent or Subsidiary to render services and is compensated for such services, and any director of the Company whether compensated for such services or not.

(h) "CONTINUOUS STATUS AS AN EMPLOYEE OR CONSULTANT" means the absence of any interruption or termination of service as an Employee or Consultant. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of: (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Administrator, provided that such leave is for a period of not more than 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time; or (iv) in the case of transfers between locations of the Company or between the Company, its Subsidiaries or their respective successors. For purposes of this Plan, a change in status from an Employee to a Consultant or from a Consultant to an Employee will not constitute an interruption of Continuous Status as an Employee or Consultant.

(i) "EMPLOYEE" means any person, including officers and directors, employed by the Company or any Parent or Subsidiary of the Company, with the status of employment determined based upon such minimum number of hours or periods worked as shall be determined by the Administrator in its discretion, subject to any requirements of the Code. The payment of a director's fee to a director shall not be sufficient to constitute "employment" of such director by the Company.

(j) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(k) "FAIR MARKET VALUE" means, as of any date, the fair market value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system including without limitation the National Market of the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") System, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported), as quoted on such system or exchange, or the exchange with the greatest volume of trading in Common Stock for the last market trading day prior to the time of determination, as reported in THE WALL STREET JOURNAL or such other source as the Administrator deems reliable;

(ii) If the Common Stock is quoted on the Nasdaq System (but not on the National Market thereof) or regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock for the last market trading day prior to the time of determination, as reported in THE WALL STREET JOURNAL or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator.

(l) "INCENTIVE STOCK OPTION" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code, as designated in the applicable written Option Agreement.

(m) "NONSTATUTORY STOCK OPTION" means an Option not intended to qualify as an Incentive Stock Option, as designated in the applicable written Option Agreement.

(n) "OPTION" means a stock option granted pursuant to the Plan.

(o) "OPTION AGREEMENT" means a written agreement between an Optionee and the Company reflecting the terms of an Option granted under the Plan and includes any documents attached to such Option Agreement, including, but not limited to, a notice of stock option grant and a form of exercise notice.

(p) "OPTIONED STOCK" means the Common Stock subject to an Option.

(q) "OPTIONEE" means an Employee or Consultant who receives an Option.

(r) "PARENT" means a "PARENT CORPORATION," whether now or hereafter existing, as defined in Section 424(e) of the Code, or any successor provision.

(s) "PLAN" means this 1999 Stock Option Plan.

(t) "REPORTING PERSON" means an officer, director, or greater than 10% stockholder of the Company within the meaning of Rule 16a-2 under the Exchange Act, who is required to file reports pursuant to Rule 16a-3 under the Exchange Act.

(u) "RULE 16b-3" means Rule 16b-3 promulgated under the Exchange Act, as the same may be amended from time to time, or any successor provision.

(v) "SHARE" means a share of the Common Stock, as adjusted in accordance with Section 11 of the Plan.

(w) "STOCK EXCHANGE" means any stock exchange or consolidated stock price reporting system on which prices for the Common Stock are quoted at any given time.

(x) "SUBSIDIARY" means a "SUBSIDIARY CORPORATION," whether now or hereafter existing, as defined in Section 424(f) of the Code, or any successor provision.

3. STOCK SUBJECT TO THE PLAN. Subject to the provisions of Section 11 of the Plan, the maximum aggregate number of shares that may be optioned and sold under the Plan is Five Million (5,000,000) shares of Common Stock. The shares may be authorized, but unissued, or reacquired Common Stock. If an Option should expire or become unexercisable for any reason without having been exercised in full, the unpurchased Shares that were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan. In addition, any shares of Common Stock which are retained by the Company upon exercise of an Option in order to satisfy the exercise or purchase price for such Option or any withholding taxes due with respect to such exercise shall be treated as not issued and shall continue to be available under the Plan. Shares repurchased by the Company pursuant to any repurchase right which the Company may have shall not be available for future grant under the Plan.

4. ADMINISTRATION OF THE PLAN.

(a) INITIAL PLAN PROCEDURE. Prior to the date, if any, upon which the Company becomes subject to the Exchange Act, the Plan shall be administered by the Board or a Committee appointed by the Board.

(b) PLAN PROCEDURE AFTER THE DATE, IF ANY, UPON WHICH THE COMPANY BECOMES SUBJECT TO THE EXCHANGE ACT.

(i) MULTIPLE ADMINISTRATIVE BODIES. If permitted by Rule 16b-3, grants under the Plan may be made by different bodies with respect to directors, non-director officers and Employees or Consultants who are not Reporting Persons.

(ii) ADMINISTRATION WITH RESPECT TO REPORTING PERSONS. With respect to grants of Options to Employees who are Reporting Persons, such grants shall be made by (A) the Board if the Board may make grants to Reporting Persons under the Plan in compliance with Rule 16b-3, or (B) a Committee designated by the Board to make grants to Reporting Persons under the Plan, which Committee shall be constituted in such a manner as to permit grants under the Plan to comply with Rule 16b-3. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the Committee and thereafter directly make grants to Reporting Persons under the Plan, all to the extent permitted by Rule 16b-3.

(iii) ADMINISTRATION WITH RESPECT TO CONSULTANTS AND OTHER EMPLOYEES. With respect to grants of Options to Employees or Consultants who are not Reporting Persons, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the legal requirements relating to the administration of Incentive Stock Option plans, if any, of applicable corporate and securities laws, of the Code and of any applicable Stock Exchange (the "APPLICABLE LAWS"). Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by the Applicable Laws.

(c) POWERS OF THE ADMINISTRATOR. Subject to the provisions of the Plan and in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities, including the approval, if required, of any Stock Exchange, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(k) of the Plan;

(ii) to select the Consultants and Employees to whom Options may from time to time be granted hereunder;

(iii) to determine whether and to what extent Options are granted hereunder;

(iv) to determine the number of shares of Common Stock to be covered by each such Option granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Option granted hereunder;

(vii) to determine whether and under what circumstances an Option may be settled in cash under Section 9(f) instead of Common Stock;

(viii) to reduce the exercise price of any Option to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option shall have declined since the date the Option was granted;

(ix) to construe and interpret the terms of the Plan and Options granted under the Plan; and

(x) in order to fulfill the purposes of the Plan and without amending the Plan, to modify grants of Options to participants who are foreign nationals or employed outside of the United States in order to recognize differences in local law, tax policies or customs.

(d) EFFECT OF ADMINISTRATOR'S DECISION. All decisions, determinations and interpretations of the Administrator shall be final and binding on all holders of Options.

5. ELIGIBILITY.

(a) RECIPIENTS OF GRANTS. Nonstatutory Stock Options may be granted to Employees and Consultants. Incentive Stock Options may be granted only to Employees. An Employee or Consultant who has been granted an Option may, if he or she is otherwise eligible, be granted additional Options.

(b) TYPE OF OPTION. Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value of Shares with respect to which Options designated as Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds \$100,000, such excess Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 5(b), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares subject to an Incentive Stock Option shall be determined as of the date of the grant of such Option.

(c) EMPLOYMENT RELATIONSHIP. The Plan shall not confer upon any Optionee any right with respect to continuation of employment or consulting relationship with the Company, nor shall it interfere in any way with such Optionee's right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

6. TERM OF PLAN. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the stockholders of the Company as described in Section 18 of the Plan. It shall continue in effect for a term of ten years unless sooner terminated under Section 14 of the Plan.

7. TERM OF OPTION. The term of each Option shall be the term stated in the Option Agreement; provided, however, that the term shall be no more than ten years from the date of grant thereof or such shorter term as may be provided in the Option Agreement. However, in the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

8. OPTION EXERCISE PRICE AND CONSIDERATION.

(a) The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be such price as is determined by the Board and set forth in the applicable Option Agreement, but shall be subject to the following:

(i) In the case of an Incentive Stock Option that is:

(A) granted to an Employee who, at the time of the grant of such Incentive Stock Option, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option that is:

(A) granted to a person who, at the time of the grant of such Option, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of the grant.

(B) granted to any person, the per Share exercise price shall be no less than 85% of the Fair Market Value per Share on the date of grant.

(b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant) and may consist entirely of (1) cash, (2) check, (3) promissory note (subject to the provisions of Section 153 of the Delaware General Corporation Law), (4) other Shares that (x) in the case of Shares acquired upon exercise of an Option, have been owned by the Optionee for more than six months on the date of surrender or such other period as may be required to avoid a charge to the Company's earnings, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option shall be exercised, (5) authorization for the Company to retain from the total number of Shares as to which the Option is exercised that number of Shares having a Fair Market Value on the date of exercise equal to the exercise price for the total number of Shares as to which the Option is exercised, (6) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price and any applicable income or employment taxes, (7) delivery of an irrevocable subscription agreement for the Shares that irrevocably obligates the option holder to take and pay for the Shares not more than twelve months after the date of delivery of the subscription agreement, (8) any combination of the foregoing methods of payment, or (9) such other consideration and method of payment for the issuance of Shares to the extent permitted under the Applicable Laws. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

9. EXERCISE OF OPTION.

(a) PROCEDURE FOR EXERCISE; RIGHTS AS A STOCKHOLDER. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator and reflected in the Option Agreement, which may include vesting requirements and/or including performance criteria with respect to the Company and/or the Optionee; provided, however, that such Option shall become exercisable at the rate of at least 20% per year over five years from the date the Option is granted. In the event that any of the Shares issued upon exercise of an Option should be subject to a right of repurchase in the Company's favor, such repurchase right shall lapse at the rate of at least 20% per year over five years from the date the Option is granted. Notwithstanding the above, in the case of an Option granted to an officer, director or Consultant of the Company or any Parent or Subsidiary of the Company, the Option may become fully exercisable, or a repurchase right, if any, in favor of the Company shall lapse, at any time or during any period established by the Administrator.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option

and the Company has received full payment for the Shares with respect to which the Option is exercised. Full payment may, as authorized by the Board, consist of any consideration and method of payment allowable under Section 8(b) of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, not withstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly upon exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 11 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares that thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) TERMINATION OF EMPLOYMENT OR CONSULTING RELATIONSHIP.

Subject to Section 9(c) below, in the event of termination of an Optionee's Continuous Status as an Employee or Consultant with the Company, such Optionee may, but only within three months (or such other period of time not less than 30 days as is determined by the Administrator, with such determination in the case of an Incentive Stock Option being made at the time of grant of the Option and not exceeding three months) after the date of such termination (but in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise his or her Option to the extent that the Optionee was entitled to exercise it at the date of such termination. To the extent that the Optionee was not entitled to exercise the Option at the date of such termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate. No termination shall be deemed to occur and this Section 9(b) shall not apply if (i) the Optionee is a Consultant who becomes an Employee, or (ii) the Optionee is an Employee who becomes a Consultant.

(c) DISABILITY OF OPTIONEE.

(i) Notwithstanding Section 9(b) above, in the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of his or her total and permanent disability (within the meaning of Section 22(e)(3) of the Code), such Optionee may, but only within twelve months from the date of such termination (but in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination. To the extent that the Optionee was not entitled to exercise the Option at the date of termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate.

(ii) In the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of a disability which does not fall within the meaning of total and permanent disability (as set forth in Section 22(e)(3) of the Code), such Optionee may, but only within six months from the date of such termination (but in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination. However, to the extent that such Optionee fails to exercise an Option which is an Incentive Stock Option (within the meaning of Section 422 of the Code) within three months of the date of such termination, the Option will not qualify for Incentive Stock Option treatment under the Code. To the extent that the Optionee was not entitled to exercise the Option at the date of termination, or if the Optionee does not exercise such Option to the extent so entitled within six months from the date of termination, the Option shall terminate.

(d) DEATH OF OPTIONEE. In the event of the death of an Optionee during the period of Continuous Status as an Employee or Consultant since the date of grant of the Option, or within 30 days following termination of the Optionee's Continuous Status as an Employee or Consultant, the Option may be exercised, at any time within six months following the date of death (but in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), by such Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of death or, if earlier, the date of termination of the Optionee's Continuous Status as an Employee or Consultant. To the extent that the Optionee was not entitled to exercise the Option at the date of death or termination, as the case may be, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate.

(e) RULE 16b-3. Options granted to Reporting Persons shall comply with Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption for Plan transactions.

10. STOCK WITHHOLDING TO SATISFY WITHHOLDING TAX OBLIGATIONS. At the discretion of the Administrator, Optionees may satisfy withholding obligations as provided in this paragraph. When an Optionee incurs tax liability in connection with an Option, which tax liability is subject to tax withholding under applicable tax laws, and the Optionee is obligated to pay the Company an amount required to be withheld under applicable tax laws, the Optionee may satisfy the withholding tax obligation by one or some combination of the following methods: (a) by cash or check payment, (b) out of the Optionee's current compensation, (c) if permitted by the Administrator, in its discretion, by surrendering to the Company Shares that (i) in the case of Shares previously acquired from the Company, have been owned by the Optionee for more than six months on the date of surrender, and (ii) have a Fair Market Value on the date of surrender equal to or less than the Optionee's marginal tax rate times the ordinary income recognized, or (d) by electing to have the Company withhold from the Shares to be issued upon exercise of the Option, if any, that number of Shares having a Fair Market Value equal to the amount required to be withheld. For this purpose, the fair market value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined (the "TAX DATE").

Any surrender by a Reporting Person of previously owned Shares to satisfy tax withholding obligations arising upon exercise of this Option must comply with the applicable provisions of Rule 16b-3.

All elections by an Optionee to have Shares withheld to satisfy tax withholding obligations shall be made in writing in a form acceptable to the Administrator and shall be subject to the following restrictions:

(a) the election must be made on or prior to the applicable Tax Date;

(b) once made, the election shall be irrevocable as to the particular Shares of the Option as to which the election is made; and

(c) all elections shall be subject to the consent or disapproval of the Administrator.

In the event the election to have Shares withheld is made by an Optionee and the Tax Date is deferred under Section 83 of the Code because no election is filed under Section 83(b) of the Code, the Optionee shall receive the full number of Shares with respect to which the Option is exercised but such

Optionee shall be unconditionally obligated to tender back to the Company the proper number of Shares on the Tax Date.

11. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION, MERGER OR CERTAIN OTHER TRANSACTIONS.

(a) CHANGES IN CAPITALIZATION. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each outstanding Option, and the number of shares of Common Stock that have been authorized for issuance under the Plan but as to which no Options have yet been granted or that have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination, recapitalization or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option.

(b) DISSOLUTION OR LIQUIDATION. In the event of the proposed dissolution or liquidation of the Company, the Board shall notify the Optionee at least 15 days prior to such proposed action. To the extent it has not been previously exercised, the Option will terminate immediately prior to the consummation of such proposed action.

(c) MERGER OR SALE OF ASSETS. In the event of a proposed sale of all or substantially all of the Company's assets or a merger of the Company with or into another corporation where the successor corporation issues its securities to the Company's stockholders, each outstanding Option shall be assumed or an equivalent option or right shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the successor corporation does not agree to assume the Option or to substitute an equivalent option, in which case such Option shall terminate upon the consummation of the merger or sale of assets. For purposes of this Section 11(c), an Option shall be considered assumed, without limitation, if, at the time of issuance of the stock or other consideration upon such merger or sale of assets, each Optionee would be entitled to receive upon exercise of an Option the same number and kind of shares of stock or the same amount of property, cash or securities as the Optionee would have been entitled to receive upon the occurrence of such transaction if the Optionee had been, immediately prior to such transaction, the holder of the number of Shares of Common Stock covered by the Option at such time (after giving effect to any adjustments in the number of Shares covered by the Option as provided for in this Section 11).

(d) CERTAIN DISTRIBUTIONS. In the event of any distribution to the Company's stockholders of securities of any other entity or other assets (other than dividends payable in cash or stock of the Company) without receipt of consideration by the Company, the Administrator may, in its discretion, appropriately adjust the price per share of Common Stock covered by each outstanding Option to reflect the effect of such distribution.

12. NON-TRANSFERABILITY OF OPTIONS. Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised or purchased during the lifetime of the Optionee only by the Optionee.

13. TIME OF GRANTING OPTIONS. The date of grant of an Option shall, for all purposes, be the date on which the Administrator makes the determination granting such Option, or such other date as is determined by the Board; provided, however, that in the case of any Incentive Stock Option, the grant date shall be the later of the date on which the Administrator makes the determination granting such Incentive Stock Option or the date of commencement of the Optionee's employment relationship with the Company. Notice of the determination shall be given to each Employee or Consultant to whom an Option is so granted within a reasonable time after the date of such grant.

14. AMENDMENT AND TERMINATION OF THE PLAN.

(a) AUTHORITY TO AMEND OR TERMINATE. The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation shall be made that would impair the rights of any Optionee under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with Rule 16b-3 or with Section 422 of the Code (or any other applicable law or regulation, including the requirements of any Stock Exchange), the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) EFFECT OF AMENDMENT OR TERMINATION. No amendment or termination of the Plan shall adversely affect Options already granted, unless mutually agreed otherwise between the Optionee and the Board, which agreement must be in writing and signed by the Optionee and the Company.

15. CONDITIONS UPON ISSUANCE OF SHARES. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any Stock Exchange.

As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by law.

16. RESERVATION OF SHARES. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

17. OPTION AGREEMENTS. Options shall be evidenced by Option Agreements in such form(s) as the Administrator shall approve from time to time.

18. STOCKHOLDER APPROVAL. Continuance of the Plan shall be subject to approval by the stockholders of the Company within twelve months before or after the date the Plan is adopted. Such stockholder approval shall be obtained in the degree and manner required under applicable state and federal law and the rules of any Stock Exchange upon which the Common Stock is listed. All Options issued under the Plan shall become void in the event such approval is not obtained.

19. INFORMATION AND DOCUMENTS TO OPTIONEES. The Company shall provide financial statements at least annually to each Optionee during the period such Optionee has one or more Options outstanding, and in the case of an individual who acquired Shares pursuant to the Plan, during the period such individual owns such Shares. The Company shall not be required to provide such information if the issuance of Options under the Plan is limited to key employees whose duties in connection with the Company assure their access to equivalent information. In addition, at the time of issuance of any securities under the Plan, the Company shall provide to the Optionee a copy of the Plan and any agreement(s) pursuant to which securities granted under the Plan are issued.

LOAN AGREEMENT

Dated as of November 29, 1999

among

BUSH ACQUISITION CORPORATION

the Lenders and the Issuing Lender
referred to herein

and

BANK OF AMERICA, N.A.

as Administrative Agent
for itself and for the other Lenders

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LOAN AGREEMENT

Dated as of November 29, 1999

This LOAN AGREEMENT is entered into by and among BUSH ACQUISITION CORPORATION, a Delaware corporation (the "Borrower"), the lenders named on the signature pages hereof or which hereafter become parties hereto in accordance with Section 11.8, hereof, as the Lenders, and BANK OF AMERICA, N.A., as Administrative Agent for itself and for the other Lenders.

RECITALS

- A. Pursuant to the Merger and Purchase Agreement described herein, Borrower proposes to acquire, both by way of purchase and by way of merger, the Acquired Companies described below.
- B. Upon the consummation of the transactions contemplated by the Merger and Purchase Agreement, Borrower shall (a) merge with Apio, Inc., a California corporation ("Old Apio" with Borrower the survivor) and assume the name Apio, Inc., a Delaware corporation, and (b) acquire and thereafter hold as direct Subsidiaries the remainder of the Acquired Companies (other than Apio Produce Sales, a California general partnership, which shall be immediately merged into Borrower with Borrower as the surviving corporation).

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE 1

DEFINITIONS AND ACCOUNTING TERMS

1.1 DEFINED TERMS. As used in this Agreement, the following terms shall have the respective meanings set forth below:

"A TERM NOTES" means the notes evidencing the Term Loans, substantially in the form of Exhibit E.

"ACQUIRED COMPANIES" means Old Apio and those of its Affiliates to be acquired by Borrower pursuant to the Merger and Purchase Agreement on the Closing Date.

"ACQUISITION" means any transaction, or any series of related transactions, by which Borrower and/or any Subsidiary of Borrower directly or indirectly (i) acquires any business or all or substantially all of the assets of any firm, partnership, joint venture, corporation or division thereof, whether through purchase of assets, merger or otherwise, or (ii) acquires (in one transaction or as the most recent transaction in a series of transactions) control of at least a majority in ordinary voting power of the securities of a corporation which

have ordinary voting power for the election of directors, or (iii) acquires control of a 50% or more ownership interest in any partnership or joint venture.

"ADJUSTED QUARTERLY TAX DISTRIBUTIONS" means, for any Fiscal Year, the sum of the Quarterly Tax Distributions made during that Fiscal Year PLUS or minus (as applicable) the: Tax Settlement for that Fiscal Year.

"ADMINISTRATIVE AGENT" means Bank of America, when acting in its capacity as Administrative Agent under any of the Loan Documents, or any successor Administrative Agent.

"ADMINISTRATIVE AGENT'S OFFICE" means the Administrative Agent's address as set forth on the signature pages of this Agreement, or such other address as the Administrative Agent hereafter may designate by written notice to Borrower and the Lenders.

"ADVANCE" means any advance made or to be made by any Lender under its Pro Rata Share of a Revolving Commitment or Term Commitment, as the case may be, and INCLUDES each Base Rate Advance and each Eurodollar Rate Advance.

"AFFILIATE" means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (and the correlative terms, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of Securities or partnership or other ownership interests, by contract or otherwise); PROVIDED that, in any event, any Person that owns, directly or indirectly, 10% or more of the Securities having ordinary voting power for the election of directors or other governing body of a corporation (OTHER THAN Securities having such power only by reason of the happening of a contingency), or 10% or more of the partnership or other ownership interests of any other Person (OTHER THAN as a limited partner of such other Person), will be deemed to control such corporation or other Person.

"AGENT RELATED PERSONS" means Bank of America and any successor Administrative Agent, together with their respective Affiliates, and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"AGGREGATE TAX DISTRIBUTIONS" means, with respect to any Fiscal Year, the total amount paid to Landec in respect of income taxes for that Fiscal Year, whether by way of Quarterly Tax Distributions, Tax Settlements, or Tax Gross-Up's.

"AGREEMENT" means this Loan Agreement, either as originally executed or as it may from time to time be supplemented, modified, amended, restated or extended.

"AMORTIZATION AMOUNT" means, as to each Amortization Date described below, the amount set forth below opposite that Amortization Date:

AMORTIZATION DATES -----	AMOUNT -----
April 30, 2000	\$500,000
July 31, 2000	\$500,000
October 31, 2000	\$500,000
January 31, 2001 through October 31, 2001	\$562,500
January 31, 2002 through the Term Maturity Date	\$875,000.

"AMORTIZATION DATE" means April 30, 2000 and each subsequent July 31, October 31, January 31 and April 30 through the Term Maturity Date.

"ANNUAL TAX AMOUNT" means, for each Fiscal Year, an amount equal to Borrower's share of Landec's actual cash liability for income tax payments due with respect to the income of Landec and its consolidated subsidiaries during that Fiscal Year, with Borrower's share being determined on the basis of the proportion which Borrower's pre-tax profits during that Fiscal Year bear to the pre-tax profits of Landec's other profitable Subsidiaries during that Fiscal Year.

"APIO COOLING" means Apio Cooling, a California limited partnership of which Borrower is the sole general partner.

"APPROVED SWAP AGREEMENT" means each interest rate, currency or other similar swap or hedging agreement between Borrower and any Lender, either as originally executed or as the same may from time to time be supplemented, modified, amended, renewed, extended, replaced or supplanted.

"ASSIGNMENT AGREEMENT" means an Assignment Agreement substantially in the form of Exhibit A.

"BANK OF AMERICA" means Bank of America, N.A., its successors and assigns.

"BASE MARGIN" means (a) for the Initial Pricing Period, one-half of one percent (0.50%), and (b) for each subsequent Pricing Period, the interest rate margin set forth below opposite the Pricing Level for that Pricing Period:

PRICING LEVEL -----	BASE RATE MARGIN -----
I	0.00%
II	0.25%
III	0.50%

"BASE RATE" means the greater of (a) the Prime Rate or (b) the Federal Funds rate plus 0.50%.

"BASE RATE ADVANCE" means each Advance made by a Lender designated as a Base Rate Advance in accordance with Article 2.

"BASE RATE LOAN" means a Loan made hereunder and designated as a Base Rate Loan in accordance with Article 2.

"BORROWER" means, Bush Acquisition Corporation, a Delaware corporation, and its successors and permitted assigns, including after the Merger, Apio, Inc., a Delaware corporation.

"BORROWER PLEDGE AGREEMENT" means the pledge agreement to be executed and delivered, subject to Section 11.23, on the Closing Date by Borrower with respect to 100% of the capital stock of each of the Subsidiaries of Borrower, either as originally executed or as it may from time to time be supplemented, modified, amended, extended or supplanted.

"BORROWER SECURITY AGREEMENT" means a security agreement executed on the Closing Date in favor of the Administrative Agent for the benefit of the Lenders executed by Borrower, covering all of the personal property of Borrower, either as originally executed or as the same may from time to time be supplemented, modified, amended, renewed, extended or supplanted.

"BORROWING BASE" means, as of each date of determination, an amount determined by the Administrative Agent with reference to the most recent Borrowing Base Certificate to be equal to the SUM of:

- (a) eighty percent (80%) of the aggregate book value of the Eligible Receivables; PLUS
- (b) fifty percent (50%) of the aggregate amount of the of Eligible Notes Receivable (such aggregate amount not to exceed \$3,000,000 and resulting in an increase to the Borrowing Base not to exceed \$1,500,000); PLUS
- (c) twenty five percent (25%) of Eligible Inventory; MINUS
- (d) one hundred percent (100%) of Grower Payables.

"BORROWING BASE CERTIFICATE" means a borrowing base certificate in the form of Exhibit B, properly completed and executed in the manner set forth in Section 2.11.

"BUSINESS DAY" means any Monday, Tuesday, Wednesday, Thursday or Friday, OTHER THAN a day on which banks are authorized or required to be closed in California.

"CAPITAL EXPENDITURE" means any expenditure during any fiscal period that is considered a capital expenditure under GAAP, consistently applied, INCLUDING any amount that is required to be treated as an asset subject to a Capital Lease.

"CAPITAL LEASE" means, as to any Person, a lease of any Property by that Person as lessee that is, or should be in accordance with Financing Accounting Standards Board

Statement No. 13, recorded as a "capital lease" on the balance sheet of that Person prepared in accordance with GAAP.

"CASH" means, when used in connection with any Person, all monetary and non-monetary items owned by that Person that are treated as cash in accordance with GAAP, consistently applied.

"CASH EQUIVALENTS" means:

(a) direct obligations of the United States government;

(b) commercial paper that is rated P-1 or higher by Moody's Investors Service, Inc. or A-1 or higher by Standard and Poor's Corporation and that is issued by issuers whose long term unsecured debt rating is A1/A+ or better and that have not been identified by either rating agency as an issuer whose rating is likely to be downgraded;

(c) banker's acceptances and certificates of deposit of any Lender or any United States bank whose total assets are at least \$10,000,000,000 and whose senior long term debt is rated A2/A or higher by Moody's Investors Service, Inc. and Standard and Poor's Corporation; and

(d) repurchase obligations, Dollar investments in money market funds, and tax exempt municipal notes, PROVIDED that the debt ratings and/or standings of the issuers thereof are comparable in quality to those set forth in clauses (b) and (c) above;

PROVIDED that such Cash Equivalents that are not money market funds must have remaining maturities not in excess of one year, and such Cash Equivalents that are money market funds must have average remaining maturities not in excess of one year and be able to be withdrawn by Borrower upon demand.

"CHANGE IN CONTROL" means (a) any transaction or series of related transactions in which any Unrelated Person or two or more Unrelated Persons acting in concert acquire beneficial ownership (within the meaning of Rule 13d-3(a) under the Securities Exchange Act of 1934, as amended), directly or indirectly, of 10% or more of the outstanding Common Stock, or 20% or more of the common stock of Landec, (b) Landec, Borrower or any of its Subsidiaries consolidate with or merge into another Person or convey, transfer, or lease their properties and assets substantially as an entirety to any Person or any Person consolidates with or merges into Landec, Borrower or such Subsidiary (other than with respect to any Subsidiaries of Borrower, into Borrower or any other Subsidiary of Borrower), in either event pursuant to a transaction in which the outstanding Common Stock is changed into or exchanged for cash, securities or other property, with the effect that any Unrelated Person becomes the beneficial owner, directly or indirectly, of 10% or more of Common Stock or 20% or more of the common stock of Landec or that the Persons who were the holders of Common Stock (or the common stock of Landec) immediately prior to the transaction hold less than 90% (or in the case of Landec, 80%) of the common stock of the surviving corporation after the transaction, (c) during any period of 12 consecutive months, individuals who at the beginning of such period constituted the board of directors of Landec (together with any new or replacement directors whose election by the board of directors, or whose nomination for election, was approved by a vote of at least a majority of the directors then still in office who were either directors at the

beginning of such period or whose election or nomination for reelection was previously so approved) cease for any reason to constitute a majority of the directors then in office, (d) a "change in control" as defined in any document governing Indebtedness of Borrower or any of the Subsidiaries in excess of \$500,000 which gives the holders of such Indebtedness the right to accelerate or otherwise require payment of such Indebtedness prior to the maturity date thereof, or (e) after the Closing Date, Nicholas Tompkins fails, at any time, to be actively involved in the management of the affairs of Borrower in a senior executive capacity.

"CLOSING DATE" means the time and Business Day on which the consummation of all of the transactions contemplated in Section 8.1 occurs.

"CODE" means the Internal Revenue Code of 1986, as amended or replaced and as in effect from time to time.

"COLLATERAL" means, collectively, all of the collateral subject to the Liens, or intended to be subject to the Liens, created by the Collateral Documents.

"COLLATERAL DOCUMENTS" means, collectively, the Borrower Security Agreement, the Guarantor Security Agreement, the Pacific West Security Agreement, the Landec Pledge Agreement, the Borrower Pledge Agreement, the Trademark Security Agreement, the Patent Security Agreement, the Deeds of Trust and any other pledge agreement, hypothecation agreement, security agreement, assignment, deed of trust, mortgage or similar instrument executed by Borrower or any of its Subsidiaries to secure the Obligations.

"COMMISSION" means the Securities and Exchange Commission.

"COMMITMENT FEE RATE" means (a) for the Initial Pricing Period, one-quarter of one percent (0.25%), and (b) for each Pricing Period thereafter, the rate per annum set forth below opposite the Pricing Level in effect during that Pricing Period:

PRICING LEVEL -----	COMMITMENT FEE RATE -----
I	0.125%
II	0.250%
III	0.250%

"COMMITMENTS" means, collectively, the Revolving Commitment and the Term Commitment.

"COMMON STOCK" means the common stock of Borrower or any of its Subsidiaries.

"COMPLIANCE CERTIFICATE" means a certificate substantially in the form of Exhibit C, properly completed and signed by a Senior Officer of Borrower and delivered to the Administrative Agent.

"CONTINGENT OBLIGATION" means, as to any Person, any (a) direct or indirect guarantee of Indebtedness of, or other obligation performable by, any other Person, INCLUDING any endorsement (other than for collection or deposit in the ordinary course of business),

co-making or sale with recourse of the obligations of any other Person, (b) contingent reimbursement obligations in respect of any letter of credit, INCLUDING a Letter of Credit, or (c) assurance given to an obligee with respect to the performance of an obligation by, or the financial condition of, any other Person, whether direct, indirect or contingent, INCLUDING any purchase or repurchase agreement coveting such obligation or any collateral security therefor, any agreement to provide funds (by means of loans, capital contributions or otherwise) to such other Person, any agreement to support the solvency or level of any balance sheet item to such other Person, or any "keep-well", "take-or-pay", "through put" or other arrangement of whatever nature having the effect of assuring or holding harmless any obligee against loss with respect to any obligation of such other Person. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation (unless the Contingent Obligation is limited by its terms to a lesser amount, in which case to the extent of such amount) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined in good faith by the Person so obligated.

"CONTRACTUAL OBLIGATION" means, as to any Person, any provision of any outstanding Securities issued by that Person or of any material agreement, instrument or undertaking to which that Person is a party or by which it or any of its Property is bound.

"CREDITORS" means, collectively the Administrative Agent, the Issuing Lender, Bank of America, in its capacity as a party to the Approved Swap Agreement, and the Lenders.

"DEBTOR RELIEF LAWS" means the Bankruptcy Code of the United States of America, as amended from time to time, and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws from time to time in effect affecting the rights of creditors generally.

"DEEDS OF TRUST" means the Deeds of Trust executed by Borrower and Pacific West Produce on the Closing Date pursuant to Article 8, either as originally executed or as it may from time to time be supplemented, modified, amended, extended or supplanted.

"DEFAULT" means any event that, which with the giving of any applicable notice or passage of time set forth in Section 9.1, or both, would be an Event of Default.

"DEFAULT RATE" means the rate of interest specified in Section 3.7.

"DESIGNATED EURODOLLAR MARKET" means, with respect to any Eurodollar Rate Loan, (a) the London Eurodollar Market, (b) if prime banks in the London Eurodollar Market are at the relevant time not accepting deposits of Dollars or if the Administrative Agent determines that the London Eurodollar Market does not represent at the relevant time the effective pricing to the Lenders for deposits of Dollars in the London Eurodollar Market, the Cayman Islands Eurodollar Market or (c) such other Eurodollar Market as may from time to time be selected by the Administrative Agent with the approval of the Requisite Lenders, PROVIDED that the Designated Eurodollar Market shall not be changed (i) without notice to Borrower from the Administrative Agent or (ii) with respect to any Eurodollar Rate Loan requested by Borrower, prior to the making of that Eurodollar Loan unless consented to by Borrower.

"DISPOSITION" means the sale, transfer or other disposition in any single transaction or series of related transactions (INCLUDING by means of a sale-leaseback transaction) of any asset, or group of related assets, of Borrower or of any Subsidiary of Borrower (a) which asset or assets constitute a line of business or substantially all the assets of Borrower or such Subsidiary or (b) the aggregate amount of the Net Cash Proceeds of such assets in any one transaction or series of related transactions is more than \$200,000, OTHER THAN (i) inventory or other assets sold or otherwise disposed of in the ordinary course of business of Borrower or such Subsidiary, (ii) equipment sold or otherwise disposed of where substantially similar equipment in replacement thereof has theretofore been acquired, or thereafter within 90 days is acquired, by Borrower or such Subsidiary and (iii) obsolete assets no longer useful in the business of Borrower or such Subsidiary whose carrying value on the books of Borrower or such Subsidiary is zero or DE MINIMUS, provided that the U.S. Bank Sale\Leaseback shall not be considered to be a Disposition.

"DISTRIBUTION" means, (i) with respect to any shares of capital stock or any warrant or right to acquire shares of capital stock or any other equity security issued by a Person (OTHER THAN pursuant to the terms of Indebtedness which is convertible into or exchangeable for capital stock or any other equity security), (a) the retirement, redemption, purchase, or other acquisition for value by such Person of any such security, (b) the declaration or (without duplication) payment by such Person of any dividend in cash or in Property (OTHER THAN common stock or any other equity security of such Person) on or with respect to any such security, (c) any Investment by such Person in the holder of any such security, and (d) any other payment by such Person constituting a distribution under applicable Laws with respect to such security, and (ii) any payment in respect of Indebtedness owed by Borrower to any Affiliate or shareholder, or Person not dealing at arm's length with Borrower, such Affiliate or Person, which is not expressly permitted by this Agreement.

"DOLLARS" or the symbol "\$" means United States dollars.

"EARN OUT PAYMENTS" means the amounts payable to Nicholas Tompkins and Kathleen Tompkins pursuant to Section 2.5 of the Merger and Purchase Agreement.

"EBITDA" means, for any fiscal period, determined on a consolidated basis for Borrower and its Subsidiaries, the sum, without duplication of (i) Net Income, PLUS (ii) income tax expense (if any), PLUS (iii) gross interest expense, PLUS (iv) depreciation, PLUS (v) non-cash amortization, MINUS (vi) extraordinary income and gains (other than proceeds of crop insurance settlements), MINUS (vii) gains (or PLUS losses) on sales of fixed assets, PLUS accrued Management Fee Distributions and accrued Tax Agreement Amounts, in each case determined in accordance with GAAP for that fiscal period.

"ELIGIBLE ASSIGNEE" means (a) another Lender, (b) with respect to any Lender, any Affiliate of that Lender, (c) any commercial bank having a combined capital and surplus of \$100,000,000 or more, (d) any (i) savings bank, savings and loan association or similar financial institution or (ii) insurance company engaged in the business of writing insurance which, in either case (A) has a net worth of \$200,000,000 or more, (B) is engaged in the business of lending money and extending credit under credit facilities substantially similar to those extended under this Agreement and (C) is operationally and procedurally able to meet the obligations of a Lender hereunder to the same degree as a commercial bank and (e) any other financial institution (INCLUDING a mutual fund or other fund) having total assets of \$250,000,000

or more which meets the requirements set forth in subclauses (B) and (C) of clause (d) above; PROVIDED that each Eligible Assignee must either (a) be organized under the Laws of the United States of America, any State thereof or the District of Columbia or (b) be organized under the Laws of the Cayman Islands or any country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of such a country, and (i) act hereunder through a branch, agency or funding office located in the United States of America and (ii) be exempt from withholding of tax on interest and deliver the documents related thereto pursuant to Section 11.22.

"ELIGIBLE GROWER ADVANCES" means, as of each date of determination, all amounts advanced by Borrower to growers of agricultural products which are not evidenced by notes or other instruments which have contractually committed to provide their output to Borrower for processing with proceeds to be used for picking, packing and cooling said agricultural products, to the extent that the Administrative Agent has a first priority perfected Lien in such advances.

"ELIGIBLE INVENTORY" means all inventory of Borrower and its Subsidiaries consisting of unbranded and unlabeled packaging materials, provided that Eligible Inventory shall exclude:

(a) any inventory that is damaged, defective, obsolete or in excess of that which may be used within a twelve month period in the business of Borrower and its Subsidiaries;

(b) any inventory which is not located at the premises of Borrower and its Subsidiaries or other locations reasonably acceptable to the Administrative Agent, it being understood that the inclusion of inventory located at the premises of others shall in any event be subject to the following requirements:

(i) no inventory at any location at which inventory having a value of less than \$100,000 is located shall be included in Eligible Inventory;

(ii) the aggregate amount of the inventory which is located at the locations of others and which is included in Eligible Inventory shall not exceed \$1,000,000;

(iii) no such inventory will be included unless it is segregated from other similar property owned by Persons other than Borrower and its Subsidiaries and located at the relevant location; and

(iv) no such inventory will be included unless it is the subject of a landlord consent and a vendor consent which is acceptable to the Administrative Agent;

(c) any inventory in which the Administrative Agent does not have a first priority perfected security interest or which is subject to any other lien or claim, or which has been consigned or sold to any person as part of any bulk sale unless there was compliance with all applicable bulk sale or transfer laws.

"ELIGIBLE NOTES RECEIVABLE" means, as of each date of determination, all notes receivable by Borrower and its Subsidiaries which are (a) evidenced by a negotiable promissory note delivered in pledge to the Administrative Agent, (b) secured by a first priority perfected Lien on growing crops to be harvested within the following twelve month period, (c) as to which the obligor is not subject to any proceeding under any Debtor Relief Law, and (d) not the obligations of any Affiliate of Borrower.

"ELIGIBLE RECEIVABLE" means an account which satisfies the following requirements:

(a) The account has resulted from the sale of goods or the performance of services by the Borrower and its Subsidiaries in the ordinary course of their business. Eligible Grower Advances are not Eligible Receivables.

(b) There are no conditions which must be satisfied before the Borrower and its Subsidiaries are entitled to receive payment of the account. Accounts arising from COD sales, consignments or guaranteed sales are not acceptable.

(c) The debtor upon the account does not claim any defense to payment and has not asserted any counterclaims or offsets against the Borrower or its Subsidiaries. To the extent any credit balances exist in favor of the debtor, such credit balances shall be deducted from the account balance.

(d) The account represents a genuine obligation of the debtor for goods sold and accepted by the debtor, or for services performed for and accepted by the debtor.

(e) The Borrower or the relevant Subsidiary has sent an invoice to the debtor in the amount of the account.

(f) The account is owned by the Borrower and its Subsidiaries free of any title defects or any liens or interests of others, and is subject to a the first priority perfected security interest in favor of the Administrative Agent.

(g) The debtor upon the account is not any of the following:

(i) an employee, affiliate, parent or subsidiary of the Borrower, or have common officers or directors with the Borrower.

(ii) the U.S. government or any agency or department of the U.S. government unless the Lenders agree in writing to accept the obligation and the Borrower and any relevant Subsidiaries comply with the procedures in the Federal Assignment of Claims Act of 1940 with respect to the obligation.

(iii) any state, county, city, town or municipality.

(iv) any person or entity located in a foreign country unless the account is supported by a letter of credit issued by a bank or foreign credit insurance issued by an insurance company, in each case reasonably acceptable

to the Administrative Agent ("FCIA Insurance") except that (x) Castle Cook Worldwide shall not be so excluded for so long as they remain a Subsidiary of Dole Food Company, Inc., and (y) the Administrative Agent may from time to time approve for inclusion in Eligible Receivables the accounts receivable of any such foreign person or entity, PROVIDED that the Administrative Agent may thereafter withdraw such accounts receivable in the exercise of its discretion.

(v) any person or entity to whom the Borrower is obligated for goods purchased by the Borrower or for services performed for the Borrower. This will not exclude accounts upon which any such debtor is obligated to the extent that the accounts exceed the amount of the Borrower's obligation to such debtor.

(h) The account is not in default. An account will be considered in default if any of the following occur.

(i) The account is not paid within the 60 day period from the original invoice date (or, in the case of any account which is supported by FCIA Insurance 180 days);

(ii) The debtor obligated upon the account suspends business, makes a general assignment for the benefit of creditors, or fails to pay its debts generally as they come due; or

(iii) Any petition is filed by or against the debtor obligated upon the account under any bankruptcy law or any other law or laws for the relief of debtors.

(i) the dollar amount of accounts included as Eligible Receivables which are the obligations of a single debtor (or group of affiliated debtors) shall not exceed 10% of the gross accounts receivables of the Borrower and its Subsidiaries (or such higher concentration limit as may be established for that debtor by the Administrative Agent in its sole discretion), EXCEPT that the total dollar amount of the accounts which are the obligations of each of the Major Customers will be included to the extent that BOTH (y) the aggregate dollar amount of the accounts so included which are the obligations of that Major Customer do not exceed 15% of the gross accounts receivable of the Borrower and its Subsidiaries, and (z) that Major Customer is not in default (as defined above) on 25% or more of the accounts upon which it is obligated. To the extent the total of such accounts exceeds a debtor's concentration limit, the amount of any such excess shall be excluded

(j) The account is not the obligation of a debtor who is in default (as defined above) on 50% or more of the accounts upon which such debtor is obligated.

(k) The account does not arise from the sale of goods which remain in the Borrower's possession or under the Borrower's control.

(l) The account is not evidenced by a promissory note or chattel paper.

(m) The account is otherwise acceptable to the Administrative Agent.

"ENFORCEMENT OR REMEDIAL ACTION" shall mean any step taken by any Person to enforce compliance with or to collect or impose penalties, fines or other sanctions provided by any Environmental Law.

"ENVIRONMENTAL CLAIMS" means all claims, however asserted, by any Governmental Agency or other Person alleging potential liability or responsibility for violation of any Environmental Law, or any Enforcement or Remedial Action or for release or injury to the environment or threat to public health, personal injury (including sickness, disease or death), property damage, natural resources damage, or otherwise alleging liability or responsibility for damages (punitive or otherwise), cleanup, removal, remedial or response costs, restitution, civil or criminal penalties, injunctive relief, or other type of relief, resulting from or based upon the presence, placement, discharge, emission or release (including intentional and unintentional, negligent and non-negligent, sudden or non-sudden, accidental or non-accidental, placement, spills, leaks, discharges, emissions or releases) of any Hazardous Material at, in, or from Property, whether or not owned by Borrower.

"ENVIRONMENTAL LAWS" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes together with all administrative orders, directed duties, policies, notices, decrees, requests, licenses, authorizations and permits of, and agreements with, any Governmental Agencies, in each case relating to, regulating or imposing liability or standards of conduct regarding environmental, health, safety, project liability and land use matters (including matters related to air and water quality, the handling, transportation, storage, treatment, usage or disposal of Hazardous Materials, air emissions, noise control, industrial hygiene, zoning, and land-use permits) including the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), the Clean Air Act, the Federal Water Pollution Control Act of 1972, the Solid Waste Disposal Act, the Federal Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Emergency Planning and Community Right-to-Know Act, the California Hazardous Waste Control Law, the California Solid Waste Management, Resource, Recovery and Recycling Act, the California Water Code and the California Health and Safety Code.

"ERISA" means the Employee Retirement Income Security Act of 1974, and any regulations issued pursuant thereto, as amended or replaced and as in effect from time to time.

"ERISA AFFILIATE" means, with respect to any Person, any Person (or any trade or business, whether or not incorporated) that is under common control with that Person within the meaning of Section 414 of the Code.

"EURODOLLAR BASE RATE" means, with respect to any Eurodollar Rate Loan, the average per annum interest rate at which U.S. dollar deposits would be offered for the applicable interest period by major banks in the London Eurodollar Market, as shown on the Telerate Page 3750 (or such other page as may replace it) at approximately 11:00 a.m. London time two Eurodollar Business Days before the commencement of the interest period. If such rate does not appear on the Telerate Page 3750 (or such other page that may replace it), the rate for that interest period will be determined by such alternate method as reasonably selected by

the Administrative Agent. The Administrative Agent's determination of the Eurodollar Base Rate shall be conclusive in the absence of manifest error.

"EURODOLLAR BUSINESS DAY" means any Business Day on which dealings in Dollar deposits are conducted by and among banks in the Designated Eurodollar Market.

"EURODOLLAR LENDING OFFICE" means, as to each Lender, its office or branch so designated by written notice to Borrower and the Administrative Agent as its Eurodollar Lending Office. If no Eurodollar Lending Office is designated by a Lender, its Eurodollar Lending Office shall be its office at its address for purposes of notices hereunder.

"EURODOLLAR MARGIN" means (a) for the Initial Pricing Period, two and one-half percent (2.50%), and (b) for each subsequent Pricing Period, the interest rate margin set forth below opposite the Pricing Level for that Pricing Period:

Pricing Level	Eurodollar Margin
-----	-----
I	1.50%
II	2.00%
III	2.50%

"EURODOLLAR MARKET" means a regular, established market located outside the United States of America by and among banks for the solicitation, offer and acceptance of Dollar deposits in such banks.

"EURODOLLAR OBLIGATIONS" means eurocurrency liabilities, as defined in Regulation D.

"EURODOLLAR PERIOD" means:

(a) as to each Eurodollar Rate Loan, the period commencing on the date specified by Borrower pursuant to Section 2.1(b) and ending one, two, three or six months thereafter, as specified by Borrower in the applicable Request for Loan; PROVIDED that:

(i) The first day of any Eurodollar Period shall be a Eurodollar Business Day;

(ii) Any Eurodollar Period that would otherwise end on a day that is not a Eurodollar Business Day shall be extended to the next succeeding Eurodollar Business Day unless such Eurodollar Business Day falls in another calendar month, in which case such Eurodollar Period shall end on the next preceding Eurodollar Business Day;

(iii) No Eurodollar Period for any Revolving Loan shall extend beyond the Revolver Termination Date, and no Eurodollar Period for any Term Loan shall extend beyond the Term Maturity Date; and

(iv) No Eurodollar Period shall extend beyond the last day upon which any reduction to the Commitments is required if, as a result of such required reduction, the Borrower would be required to prepay the related Eurodollar Loan.

"EURODOLLAR RATE" means, with respect to any Eurodollar Rate Loan, the interest rate (rounded upward to the next 1/16 of 1%) determined to be equal to the Eurodollar Base Rate DIVIDED by 1 MINUS the Eurodollar Reserve Percentage.

"EURODOLLAR RATE ADVANCE" means each Advance made by a Lender designated as a Eurodollar Rate Advance in accordance with Article 2.

"EURODOLLAR RATE LOAN" means a Loan made hereunder and designated as a Eurodollar Rate Loan in accordance with Article 2.

"EURODOLLAR RESERVE PERCENTAGE" means, with respect to any Eurodollar Rate Loan, as of the date of determination of the Eurodollar Base Rate for that Eurodollar Rate Loan, the total of the maximum reserve percentages for determining the reserves to be maintained, if any, by member banks of the Federal Reserve System for Eurocurrency Liabilities, as defined in Regulation D, rounded upward to the nearest 1/100 of 1%. The percentage will be expressed as a decimal, and will include, but not be limited to, marginal, emergency, supplemental, special, and other reserve percentages. The determination by the Administrative Agent of any applicable Eurodollar Reserve Percentage shall be conclusive in the absence of manifest error.

"EVENT OF DEFAULT" has the meaning provided in Section 9.1.

"EXCESS CASH FLOW" means, for any fiscal period, (i) Net Income, PLUS (ii) income tax expense (if any), PLUS (iii) gross interest expense, PLUS (iv) depreciation, PLUS (v) non-cash amortization, MINUS (vi) non-cash extraordinary income and gains PLUS (vii) non-cash extraordinary losses, MINUS (viii) gains (or PLUS losses) on sales of fixed assets MINUS (ix) Capital Expenditures of Borrower and its Subsidiaries (net of any Indebtedness constituting purchase money incurred to finance those Capital Expenditures and not repaid during that period), MINUS (x) any increase (or PLUS any decrease) in working capital of Borrower and its Subsidiaries during that period (other than intercompany payables, accrued Earnout Payments, cash and revolver balances), MINUS (xi) payments of principal and interest and payments made by Borrower and its Subsidiaries during that period with respect to Capital Leases, PLUS (xii) any accruals for Management Fee Distributions or Tax Agreement Amounts during that Fiscal Year, and MINUS (xiii) the Aggregate Tax Distributions during that Fiscal Year. The proceeds of the U.S. Bank Sale\Leaseback shall be excluded from Excess Cash Flow.

"EXISTING APIO DEBT" means the approximately \$10,750,000 in Indebtedness of Old Apio and its Affiliates (prior to the Closing Date) which is to be designated as to be repaid on the Closing Date on Schedule 1.1.

"FARMER AGREEMENT" means a Farmer Agreement substantially in the form of Exhibit F, with such changes thereto as may be approved in writing by the Administrative Agent in the reasonable exercise of its discretion.

"FEDERAL FUNDS RATE" means, as of any date of determination, a fluctuating interest rate per annum equal to the federal funds effective rate for the previous Business Day as quoted by the Federal Reserve Bank of New York or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by the Administrative Agent.

"FISCAL QUARTER" means the thirteen week fiscal quarter of Borrower ending on a Sunday occurring approximately January 31, April 30, July 31 and October 31 of each year. Each reference contained herein to fiscal quarters ending on any such date shall be deemed to refer to the thirteen week fiscal quarter of Borrower ending nearest such date.

"FISCAL YEAR" means the fiscal year of Borrower ending each year on the Sunday nearest each October 31.

"FIXED CHARGE COVERAGE RATIO" means, as of the last day of each Fiscal Quarter, the RATIO of (a) the SUM of (i) EBITDA for the four Fiscal Quarters then ending MINUS (ii) Capital Expenditures (net of any Indebtedness constituting purchase money incurred to finance those Capital Expenditures), MINUS (iii) income taxes payable in cash, MINUS (iv) Tax Gross-Up's, MINUS (v) Management Fee Distributions to the extent paid in cash TO (b) Fixed Charges, PROVIDED that as of the last day of the Fiscal Quarters ending July 31, 2000 and October 31, 2000, the Fixed Charge Coverage Ratio shall be calculated for the period since the Closing Date.

"FIXED CHARGES" means, for any period, determined on a consolidated basis for Borrower and its Subsidiaries, (i) gross interest expense (paid or payable in Cash), PLUS (ii) scheduled principal payments on Indebtedness for borrowed money and Capital Leases.

"FUNDING ACCOUNT" means account no. 1465801886 maintained by Borrower with Bank of America, or any other account designated by Borrower and reasonably acceptable to the Administrative Agent.

"GAAP" means, as of any date of determination, accounting principles (a) set forth as generally accepted in then currently effective Opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants, (b) set forth as generally accepted in then currently effective Statements of the Financial Accounting Standards Board or (c) that are then approved by such other entity as may be approved by a significant segment of the accounting profession in the United States of America. The term "CONSISTENTLY APPLIED," as used in connection therewith, means that the accounting principles applied are consistent in all material respects to those applied at prior dates or for prior periods.

"GOVERNMENTAL AGENCY" means (a) any international, foreign, federal, state, county or municipal government, or political subdivision thereof, (b) any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality or public body, or (c) any court, administrative tribunal or public utility.

"GOVERNMENT SECURITIES" means readily marketable direct full faith and credit obligations of the United States of America or obligations unconditionally guaranteed by the full faith and credit of the United States of America.

"GROWER PAYABLES" means, as of each date of determination, (a) all amounts then payable by Borrower and its Subsidiaries to growers of agricultural products which the Borrower or its Subsidiaries have purchased for processing or for use in producing the Borrower's and its Subsidiaries' inventory, MINUS (b) in the case of each such grower, the outstanding amount advanced by Borrower and its Subsidiaries to that grower for the purpose of financing the picking, washing and packing of crops produced by that grower, PROVIDED THAT such grower has entered into a written Farmer Agreement with Borrower or the relevant Subsidiary in a form which is in the form of Exhibit F or another form reasonably acceptable to the Administrative Agent and in each case pursuant to which it has enforceably waived its producer's lien rights under California Food & Agriculture Code Section 55631 ET SEQ. and to the extent that the same are not subject to any set-off, recoupment or other reduction by reason of the trust established by the Perishable Agricultural Commodities Act, and MINUS (without duplication) (c) in the case of each such grower, any amount payable to Borrower and its Subsidiaries by such grower by reason of any joint venture or other similar investment by Borrower and its Subsidiaries with or in such grower in the ordinary course of business which legally entitles Borrower and its Subsidiaries to a proportionate share of the sale proceeds of such crops.

"GUARANTOR SECURITY AGREEMENT" means a security agreement executed by each Guarantor other than Pacific West on the Closing Date in favor of the Administrative Agent for the benefit of the Lenders to secure the Subsidiary Guaranty, covering all of the personal property of each such Guarantor, either as originally executed or as the same may from time to time be supplemented, modified, amended, renewed, extended or supplanted.

"GUARANTORS" means, collectively, (i) as of the Closing Date, Landec and each Subsidiary of Borrower existing as of the Closing Date, (ii) each Person hereafter formed to hold any of the capital stock of Borrower, and (iii) and each other Person which is or hereafter becomes a Subsidiary of Borrower.

"HAZARDOUS MATERIALS" means all those substances which are regulated by, or which may form the basis of liability under, any Environmental Law, including all substances identified under any Environmental Law as a pollutant, contaminant, hazardous waste, hazardous constituent, special waste, hazardous substance, hazardous material, or toxic substance, or petroleum or petroleum derived substance or waste.

"INDEBTEDNESS" means, as to any Person, without duplication, (a) all indebtedness of such Person for borrowed money, (b) that portion of the obligations of such Person under Capital Leases which is properly recorded as a liability on a balance sheet of that Person prepared in accordance with GAAP, (c) any obligation of such Person that is evidenced by a promissory note or other instrument representing an extension of credit to such Person, whether or not for borrowed money, (d) any payment obligation of such Person for the deferred purchase price of Property or services (OTHER THAN trade or other accounts payable in the ordinary course of business in accordance with customary industry terms and payments), (e) any payment obligation of such Person that is secured by a Lien on assets of such Person, whether or not that Person has assumed such obligation or whether or not such obligation is non-recourse to the credit of such Person, but only to the extent of the fair market value of the assets so subject to the Lien, (f) payment obligations of such Person arising under acceptance facilities or under facilities for the discount of accounts receivable of such Person, (g) any direct

or contingent obligations of such Person under letters of credit issued for the account of such Person, and (h) any obligations of such Person under a Swap Agreement.

"INITIAL PRICING PERIOD" means the period from the Closing Date to and including July 31, 2000.

"INTELLIPAC ASSETS" means the assets (net of liabilities) of the Intellipac division of Landec as stated in accordance with GAAP, to be contributed by Landec into Borrower.

"INVESTMENT" means, when used in connection with any Person, any investment by or of that Person, whether by means of purchase or other acquisition of capital stock or other Securities of any other Person or by means of loan, advance, capital contribution, guaranty or other debt or equity participation or interest, or otherwise, in any other Person, INCLUDING any partnership and joint venture interests of such Person in any other Person. The amount of any Investment shall be the amount actually invested, without adjustment for increases or decreases in the value of such Investment.

"ISSUING LENDER" means Bank of America, when acting in its capacity as issuer of any Letter of Credit hereunder.

"LANDEC" means Landec Corporation, a California corporation, its successors and permitted assigns.

"LANDEC CAPITAL CALLS" means payments defined as such in the Landec Keep Well made by Landec to Borrower pursuant to the Landec Keep-Well and Section 9.2(c) of this Agreement.

"LANDEC EQUITY CONTRIBUTIONS" means payments defined as such in the Landec Keep Well made by Landec to Borrower pursuant to the Landec Keep-Well.

"LANDEC GUARANTY" means the continuing guaranty of the Obligations to be executed and delivered pursuant to Article 8 by Landec on the Closing Date, either as originally executed or as it may from time to time be supplemented, modified, amended, extended or supplanted.

"LANDEC KEEP WELL" means the Landec Keep Well to be executed and delivered pursuant to Article 8 by Landec on the Closing Date, either as originally executed or as it may from time to time be supplemented, modified, amended, extended or supplanted.

"LANDEC PLEDGE AGREEMENT" means the pledge agreement to be executed and delivered, subject to Section 11.23, on the Closing Date by Landec with respect to 100% of the capital stock of Borrower, either as originally executed or as it may from time to time be supplemented, modified, amended, extended or supplanted.

"LAWS" means, collectively, all international, foreign, federal, state, and local statutes, treaties, rules, regulations, ordinances, codes and administrative or judicial precedents.

"LENDERS" means Bank of America and each other Lender which hereafter becomes a party hereto pursuant to Section 11.8.

"LETTER OF CREDIT" means a standby letter of credit issued by the Issuing Lender for the account of Borrower in the ordinary course of its business.

"LETTER OF CREDIT USAGE" means, at any date of determination, the sum of (i) the maximum aggregate amount that is or at any time thereafter may become available for drawing or payment under issued and outstanding Letters of Credit issued pursuant to the Revolving Commitment, PLUS (ii) the aggregate amount of all drawings honored or payments made by the Issuing Lender under such Letters of Credit and not reimbursed by Borrower.

"LEVERAGE RATIO" means, as of the last day of each Fiscal Quarter, the RATIO OF (a) the Total Funded Debt of Borrower and its Subsidiaries as of the last day of that Fiscal Quarter to (b) EBITDA of Borrower and its Subsidiaries for the four Fiscal Quarter period then ended (in the case of the four fiscal quarter period ending October 31, 2000, including the pre-merger results of Borrower and its Subsidiaries).

"LICENSE AGREEMENT" means the License Agreement dated as of November 1, 1999, between Borrower and Landec, as in effect on the Closing Date.

"LIEN" means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, lien or charge of any kind, whether voluntarily incurred or arising by operation of Law or otherwise, affecting any Property, INCLUDING any agreement to grant any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature of a security interest, and/or the filing of or agreement to give any financing statement (OTHER THAN a precautionary financing statement with respect to a lease that is not in the nature of a security interest) under the Uniform Commercial Code or comparable Law of any jurisdiction with respect to any Property.

"LOAN" means any Revolving Loan or Term Loan, each of which may also be a Base Rate Loan or a Eurodollar Rate Loan.

"LOAN DOCUMENTS" means, collectively, this Agreement, the Notes, the Collateral Documents, the Landec Guaranty, the Landec Keep Well, the Pacific West Guaranty, the Subsidiary Guaranty, the Subordination Agreements each Request for Loan, each Request for Letter of Credit, each Request for Redesignation, each Letter of Credit, the Subordination Agreement, each Compliance Certificate, each Borrowing Base Certificate, each Approved Swap Agreement, and any other certificates, documents or agreements to, with or for the benefit of the Creditors, of any type or nature heretofore or hereafter executed and delivered by Borrower or any of its Subsidiaries or Affiliates to the Creditors in any way relating to or in furtherance of this Agreement, in each case either as originally executed or as the same may from time to time be supplemented, modified, amended, restated, extended or supplanted.

"MAJOR CUSTOMERS" means each of Winn Dixie, Food Lion, Walmart, and Price-Costco, and their respective affiliates and such other customers as the Administrative Agent may approve from time to time.

"MANAGEMENT AGREEMENT" means the Management Agreement dated as of November 15, 1999 between Borrower and Landec, as in effect on the Closing Date.

"MANAGEMENT FEE DISTRIBUTIONS" means during any period, payments made to Landec or accrued by Borrower pursuant to the Management Agreement during that period.

"MATERIAL ADVERSE EFFECT" means any set of circumstances or events which (a) has or may reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of any Loan Document, (b) has or may reasonably be expected to have a materially adverse effect on the condition (financial or otherwise) or business operations of Borrower and its Subsidiaries, taken as a whole, or the prospects of Borrower and its Subsidiaries, taken as a whole, (c) materially impairs or may reasonably be expected to materially impair the ability of Borrower and its Subsidiaries, to perform their Obligations or (d) materially impairs or may reasonably be expected to materially impair the ability of the Creditors to enforce their legal remedies pursuant to the Loan Documents.

"MATERIAL CONTRACT" means each agreement existing as of the Closing Date to which Borrower or any of its Subsidiaries is a party, contemplating annual payments or receipts of monies, or the exchange of Property having a value in excess of \$250,000.

"MAXIMUM REVOLVING CREDIT AMOUNT" means, as of any date of determination, the lesser of (a) the then applicable Borrowing Base and (b) the then applicable Revolving Commitment.

"MERGER" means the merger of Borrower with Old Apio, with Borrower the survivor (assuming the name "Apio, Inc."), in accordance with Merger and Purchase Agreement.

"MERGER AND PURCHASE AGREEMENT" means the Agreement and Plan of Merger and Purchase Agreement dated as of November 29, 1999 among Landec, Borrower, Old Apio., South Coast Paper Co., Inc, Pacific West Produce Marketing, Inc., Cal Ex Trading Company, Inc, Apio Produce Sales and certain of their shareholders and partners, and each material instrument, document and agreement executed in connection therewith.

"MULTIEMPLOYER PLAN" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA.

"NEGATIVE PLEDGE" means any covenant binding on Borrower or any current or future guarantor of the Obligations that prohibits the creation of Liens on any Property of Borrower or of any such guarantor to the Creditors or prohibiting the granting of any such covenant to any of the Creditors.

"NET CASH PROCEEDS" means, with respect to any sale, transfer or other disposition of assets, the cash proceeds received by Borrower or by any Subsidiary of Borrower upon such sale, transfer or other disposition MINUS, (a) the actual expenses of such sale paid or payable by Borrower or by any Subsidiary of Borrower in connection with such sale, transfer or other disposition, (b) any amount paid or payable by the transferor to retire existing Liens on the assets sold to the extent that the transferor is contractually obligated to do so, and (c) an amount representing the taxes (other than income taxes) reasonably estimated by Borrower to be payable by Borrower with respect to such sale, transfer or other disposition.

"NET INCOME" means, for any fiscal period, the consolidated net income of Borrower and its Subsidiaries, determined in accordance with GAAP, consistently applied.

"NET WORTH" means, as of the last day of any Fiscal Quarter, the consolidated net worth of Borrower and its Subsidiaries determined in accordance with GAAP as of that date.

"NOTE" means either a Revolving Note or an A Term Note and "Notes" means the Revolving Notes and the A Term Notes.

"OBLIGATIONS" means all present and future obligations of every kind or nature of Borrower or any Party at any time and from time to time owed to any of the Creditors under any of the Loan Documents, whether due or to become due, matured or unmatured, liquidated or unliquidated, or contingent or noncontingent, INCLUDING obligations of performance as well as obligations of payment, and INCLUDING interest that accrues after the commencement of any proceeding under any Debtor Relief Law by or against Borrower or any Affiliate of Borrower now existing or hereafter arising pursuant to the terms of this Agreement and the other Loan Documents.

"OLD APIO" means Apio, Inc., a California corporation

"PACIFIC WEST GUARANTY" means the continuing guaranty of the Obligations to be executed and delivered pursuant to Article 8 by Pacific West Produce Marketing, Inc. on the Closing Date, either as originally executed or as it may from time to time be supplemented, modified, amended, extended or supplanted.

"PACIFIC WEST SECURITY AGREEMENT" means the Security Agreement to be executed and delivered pursuant to Article 8 by Pacific West Produce Marketing, Inc. on the Closing Date to secure the Pacific West Guaranty, either as originally executed or as it may from time to time be supplemented, modified, amended, extended or supplanted.

"PARTY" means each party to the Loan Documents other than the Creditors.

"PATENT SECURITY AGREEMENT" means the Patent Security Agreement executed by Borrower in favor of the Administrative Agent for the benefit of the Lenders on the Closing Date pursuant to Article 8 (or, to the extent there are no patents on the Closing Date, later executed pursuant to Section 5.11), substantially in the form of Exhibit K, either as originally executed or as the same may from time to time be supplemented, modified, amended, renewed, extended or supplanted.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor thereof established under ERISA.

"PENSION PLAN" means any "employee pension benefit plan" that is subject to Title IV of ERISA and which is maintained for employees of Borrower or of any ERISA Affiliate of Borrower, OTHER THAN a Multiemployer Plan.

"PERMITTED ENCUMBRANCES" means:

(a) Inchoate Liens incident to construction or maintenance of real property, or Liens incident to construction or maintenance of real property, now or hereafter filed of record for which adequate reserves have been set aside and which are being or will be, within 30 days, contested in good faith by appropriate proceedings diligently pursued and have not proceeded to judgment, PROVIDED that, by reason of nonpayment of the obligations secured by such Liens, no such real property is subject to a material risk of loss or forfeiture;

(b) Liens for taxes and assessments on real property which are not yet past due or for which adequate reserves have been set aside and are being contested in good faith by appropriate proceedings diligently pursued and have not proceeded to judgment, PROVIDED that, by reason of nonpayment of the obligations secured by such Liens, no such real property is subject to a material risk of loss or forfeiture;

(c) easements, exceptions, reservations, covenants, conditions, restrictions, and assessment Liens arising thereunder, operating agreements, or other agreements granted, reserved or entered into before or after the date hereof for the purpose of ingress, egress, parking, encroaching, pipelines, conduits, cables, wire communication lines, power lines and substations, streets, trails, walkways, drainage, irrigation, water, and sewerage purposes, dikes, canals, ditches, the removal of oil, gas, coal, or other minerals, use, operation, repair, maintenance and reconstruction, and other like purposes affecting real property which in the aggregate do not materially burden or impair the fair market value or use of such real property for the purposes for which it is or may reasonably be expected to be held;

(d) rights reserved to or vested in any Governmental Agency by Law to control or regulate, or obligations or duties under Law to any Governmental Agency with respect to, the use of any real property;

(e) statutory Liens, other than those described in clauses (a) or (b) above, arising in the ordinary course of business with respect to obligations which are not delinquent or are being contested in good faith by appropriate proceedings diligently pursued, PROVIDED that, if delinquent, adequate reserves have been set aside with respect thereto and, by reason of nonpayment, no Property is subject to a material risk of loss or forfeiture;

(f) Liens consisting of pledges or deposits to secure obligations under workers' compensation laws or similar legislation, that do not exceed \$500,000 in the aggregate at any time outstanding, INCLUDING Liens of judgments thereunder which are not currently dischargeable;

(g) Liens consisting of deposits of Property to secure statutory obligations of Borrower or of any Subsidiary of Borrower in the ordinary course of its business;

(h) Liens created by or resulting from any litigation or legal proceeding involving Borrower or any Subsidiary of Borrower in the ordinary course of its business which are currently being contested in good faith by appropriate proceedings diligently pursued, PROVIDED that adequate reserves have been set aside, and such Liens are discharged or stayed within 30 days of creation and no Property is subject to a material risk of loss or forfeiture; and

(i) Rights of vendors and lessors under conditional sale agreements, Capital Leases or other title retention agreements, provided that, in each case (i) such rights secure or otherwise relate to Indebtedness permitted pursuant to Section 6.8, (ii) such rights do not extend to any property other than property acquired with the proceeds of such Indebtedness permitted pursuant to Section 6.8 and (iii) such rights do not secure any Indebtedness other than such Indebtedness; and

(j) Growers Liens' including those arising under the Perishable Agricultural Commodities Act.

"PERSON" means any entity, whether an individual, trustee, corporation, general partnership, limited partnership, limited liability company, joint stock company, trust, estate, unincorporated organization, business association, firm, joint venture, Governmental Agency, or otherwise.

"PRICING LEVEL" means, for each Pricing Period, level set forth below opposite the Leverage Ratio as of the last day of the Fiscal Quarter ending two months prior to the commencement of that Pricing Period:

PRICING LEVEL -----	LEVERAGE RATIO -----
I	Less than or equal to 1.50:1.00
II	Greater than 1.50:1.00, but less or equal to than 2.25:1.00
III	Greater than 2.25:1.00

The Pricing Level shall change as of the first day of each Pricing Period on the basis of the then most recently delivered Compliance Certificate. In the event that Borrower fails to deliver a Compliance Certificate on a timely basis, the Pricing Level for shall increase to the highest level set forth above until such time as Borrower delivers a Compliance Certificate.

"PRICING PERIOD" means, the Initial Pricing Period and each subsequent period of three calendar months which commences on the first day of each November, February, May and August ends of the last day of the immediately following January, April, July and October.

"PRIME RATE" means the rate of interest publicly announced from time to time by Bank of America as its "Prime Rate" or "Reference Rate." The Prime Rate is set by Bank of America based on various factors, including Bank of America's costs and desired returns, general economic conditions and other factors, and is used as a reference point for pricing some loans. Bank of America may price loans at, above or below its Prime Rate. Any change in the Prime Rate shall take effect on the day specified in the public announcement of such change.

"PROPERTY" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"PROJECTIONS" means the projected financial information prepared by Borrower and attached hereto as Schedule 4.18.

"PRO RATA SHARE" means (a) with respect to the Revolving Commitment, the percentage of the Revolving Commitment held by any particular Lender from time to time, (b) with respect to the Term Commitment, the percentage of the Term Commitment held by any particular Lender from time to time and (c) with respect to the Commitment, the percentage of the Commitment held by any particular Lender from time to time. As of the Closing Date, Bank of America's Pro Rata Share of the Commitment is 100%.

"QUARTERLY TAX DISTRIBUTIONS" means payments made by Borrower to Landec on a quarterly basis and when no Default of Event of Default exists equal to Borrower's share of Landec's actual cash liability for quarterly income tax payments due with respect to the income of Landec and its consolidated subsidiaries, with Borrower's share being determined on the basis of the proportion which Borrower's pre-tax profits bear to the pre-tax profits of Landec's other profitable Subsidiaries.

"REGULATIONS D, T, U AND X" means Regulations D, T, U and X, as at any time amended, of the Board of Governors of the Federal Reserve System, or any other regulations in substance substituted therefor.

"REQUEST FOR LETTER OF CREDIT" means a written request for a Letter of Credit, substantially in the form of Exhibit G, together with the standard form of application for letters of credit used by the Issuing Lender, signed by a Responsible Official of Borrower and properly completed to provide all information to be included therein.

"REQUEST FOR LOAN" means a written request for a Loan, substantially in the form of Exhibit H, signed by a Responsible Official of Borrower and properly completed to provide all information required to be included therein.

"REQUEST FOR REDESIGNATION" means a written request to continue or redesignate a Loan substantially in the form of Exhibit I, signed by a Responsible Official of Borrower and properly completed to provide all information required to be included therein.

"REQUIREMENT OF LAW" means, as to any Person, the articles or certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any Law, or judgment, award, decree, writ or determination of a Governmental Agency, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

"REQUISITE LENDERS" means as of any date of determination, Lenders having in the aggregate 66 2/3% or more of the Commitments then in effect, PROVIDED that when there are fewer than three Lenders, "Requisite Lenders" shall mean all of the Lenders.

"RESPONSIBLE OFFICIAL" means (a) when used with reference to a Person other than an individual, any corporate officer of such Person, general partner of such Person, corporate officer of a corporate general partner of such Person, or corporate officer of a corporate general partner of a partnership that is a general partner of such Person, or any other responsible official thereof duly acting on behalf thereof, and (b) when used with reference to a Person who is an individual, such Person. Any document or certificate hereunder that is signed or executed by a Responsible Official of a Person shall be conclusively presumed to have been

authorized by all necessary corporate, partnership and/or other action on the part of that Person.

"RESTRICTED PAYMENT" means each payment by Borrower or any of its Subsidiaries (a) constituting a Distribution, (b) consisting of payments to Landec under the Management Agreement, (c) consisting of payments to Landec under the Tax Agreement, or (d) consisting of Earn Out Payments.

"REVOLVER TERMINATION DATE" means May 1, 2002, or such later anniversary of such date as may be established pursuant to Section 2.6.

"REVOLVING COMMITMENT" means the commitment by Lenders to make Revolving Loans to Borrower in an aggregate principal amount, subject to Section 2.8, not to exceed \$12,000,000.

"REVOLVING LOAN" means any Advance or group of Advances made by the Lenders at any one time under the Revolving Commitment pursuant to Article 2.

"REVOLVING NOTES" means, collectively, each of the promissory notes made by Borrower to a Lender evidencing Loans under the Revolving Commitment, substantially in the form of Exhibit D, either as originally executed or as the same may from time to time be supplemented, modified, amended, renewed, extended or supplanted.

"REVOLVING AVAILABILITY" means, as of each date of determination, the difference between the Borrowing Base and Revolving Usage.

"REVOLVING USAGE" means, as of each date of determination, the sum of (a) the aggregate principal Indebtedness then outstanding under the Revolving Notes plus (b) the Letter of Credit Usage.

"RIGHT OF OTHERS" means, as to any Property in which a Person has an interest, (a) any legal or equitable right, title or other interest (OTHER THAN a Lien) held by any other Person in or with respect to that Property, and (b) any option or right held by any other Person to acquire any right, title or other interest in or with respect to that Property, INCLUDING any option or right to acquire a Lien.

"SECURITIES" means any capital stock, share, voting trust certificate, bonds, debentures, notes or other evidences of indebtedness, limited partnership interests, or any warrant, option or other right to purchase or acquire any of the foregoing.

"SENIOR OFFICER" means the (a) President, (b) Vice President, (c) Chief Financial Officer or (d) Treasurer of a Person or the persons performing the equivalent functions.

"SPECIAL EURODOLLAR CIRCUMSTANCE" means the application or adoption of any Law or interpretation, or any change therein or thereof, or any change in the interpretation or administration thereof by any Governmental Agency, central bank or comparable authority charged with the interpretation or administration thereof, or compliance by any Lender or its Eurodollar Lending Office with any request or directive (whether or not having the force of

Law) of any such Governmental Agency, central bank or comparable authority, or the existence or occurrence of circumstances affecting the Designated Eurodollar Market generally that are beyond the reasonable control of that Lender.

"SUBORDINATED OBLIGATIONS" means Indebtedness of Borrower that is subordinated to the Obligations, all of the provisions of which (including amount, maturity, amortization, interest rate, covenants, defaults, remedies and subordination), have been approved in writing as to form and substance by the Administrative Agent with the written consent of the Requisite Lenders.

"SUBORDINATION AGREEMENT" means the Subordination Agreement, to be executed on the Closing Date in favor of the Administrative Agent by Nicholas Tompkins and Kathleen Tompkins, with respect to the Earn Out Payments.

"SUBSIDIARY" means, as of any date of determination and with respect to any Person, any corporation, partnership or joint venture, whether now existing or hereafter organized or acquired: (a) in the case of a corporation, of which a majority of the securities having ordinary voting power for the election of directors or other governing body (other than securities having such power only by reason of the happening of a contingency) are at the time beneficially owned by such Person and/or one or more Subsidiaries of such Person, or (b) in the case of a partnership or joint venture, of which such Person or a Subsidiary of such Person is a general partner or joint venturer or of which a majority of the partnership or other ownership interests are at the time beneficially owned by such Person and/or one or more of their Subsidiaries.

"SUBSIDIARY GUARANTY" means a guaranty of the Obligations executed by each Subsidiary of Borrower other than Apio Cooling and Pacific West on the Closing Date, either as originally executed or as it may from time to time be supplemented, modified, amended, restated or extended.

"SWAP AGREEMENTS" means one or more written agreements between Borrower and one or more financial institutions providing for "swap", "cap", "collar" or other interest rate or currency risk protection with respect to any Indebtedness.

"TAX AGREEMENT" means the Tax Agreement dated November 15, 1999 between Borrower and Landec, as in effect on the Closing Date.

"TAX AGREEMENT AMOUNT" means an amount payable by Borrower under the Tax Agreement which does not, in any Fiscal Year, exceed 44% of consolidated pre-tax net income of Borrower and its Subsidiaries for that Fiscal Year, determined in accordance with the Tax Agreement.

"TAX GROSS-UP" means a payment made by Borrower to Landec pursuant to the Tax Agreement on or about February 15 of each year, equal to the amount by which the Tax Agreement Amount for the preceding Fiscal Year exceeds the Adjusted Quarterly Tax Distributions theretofore made with respect to the preceding Fiscal Year.

"TAX SETTLEMENT" means an amount, to be paid prior to February 15 of each year, (a) paid by Borrower to Landec in the amount by which the Quarterly Tax Distributions

made during the preceding year are less than the Annual Tax Amount for that Fiscal Year, or (b) paid by Landec to Borrower in the amount by which the Quarterly Tax Distributions made during the preceding Fiscal Year exceeded the Annual Tax Amount for the preceding Fiscal Year.

"TERM COMMITMENT" means \$11,250,000.

"TERMINATION EVENT" means (a) a "reportable event" as defined in Section 4043 of ERISA (OTHER THAN a "reportable event" that is not subject to the provision for 30 day notice to the PBGC), (b) the withdrawal of Borrower or any of its ERISA Affiliates from a Pension Plan during any plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, (c) the filing of a notice of intent to terminate a Pension Plan or the treatment of an amendment to a Pension Plan as a termination thereof pursuant to Section 4041 of ERISA, (d) the institution of proceedings to terminate a Pension Plan by the PBGC or (e) any other event or condition which, in any such case as aforesaid, might reasonably be expected to constitute grounds under ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan.

"TERM LOAN" means any Advance or group of Advances made by the Lenders at any one time under the Term Commitment pursuant to Article 2.

"TERM MATURITY DATE" means October 31, 2004.

"TOTAL FUNDED DEBT" means, as of each date of determination, determined on a consolidated basis for Borrower and its Subsidiaries, the sum, without duplication of (a) all outstanding principal Indebtedness for borrowed money (INCLUDING debt securities issued by Borrower or any of its Subsidiaries) on that date, minus (b) obligations with respect to the Earn Out Payments and accumulated amounts due under the Management Agreement and the Tax Agreement PLUS (c) all interest bearing obligations, PLUS (d) the aggregate amount of all Capital Lease Obligations on that date, PLUS (e) all obligations in respect of letters of credit or other similar instruments for which Borrower or any of its Subsidiaries are account parties or are otherwise obligated, PLUS (f) the aggregate amount of all Contingent Obligations and other similar contingent obligations of Borrower and its Subsidiaries with respect to any of the foregoing, and PLUS (g) any obligations of Borrower or any of its Subsidiaries to the extent that the same are secured by a Lien on any of the assets of Borrower or its Subsidiaries. In calculating Total Funded Debt, the outstanding principal balance of the Revolving Commitment shall be deemed to equal (y) as of October 31, 2000, the average of the outstanding Revolving Usage as of October 31, 2000 and as of each of the last days of the two immediately preceding Fiscal Quarters, and (z) as of the last day of each subsequent Fiscal Quarter, the average of the outstanding Revolving Usage as of the last days of that Fiscal Quarter and the three immediately preceding Fiscal Quarters.

"TO THE BEST KNOWLEDGE OF" means, when modifying a representation, warranty or other statement of any Person, that the fact or situation described therein is known by the Person (or, in the case of a Person other than a natural Person, known by a Responsible Official of that Person) making the representation, warranty or other statement, or with the exercise of reasonable due diligence under the circumstances (in accordance with the standard of what a reasonable Person in similar circumstances would have done) should have been known by the

Person (or, in the case of a Person other than a natural Person, should have been known by a Responsible Official of that Person).

"TRADEMARK SECURITY AGREEMENT" means the Trademark Security Agreement executed by Borrower pursuant to Section 5.12(c) in favor of the Administrative Agent for the benefit of the Lenders, either as originally executed or as the same may from time to time be supplemented, modified, amended, renewed, extended or supplanted.

"UNRELATED PERSON" means any Person OTHER THAN (a) any member of the Irvin Family, trusts for their benefit, and (b) any employee stock ownership plan or other employee benefit plan covering the employees of Borrower and its Subsidiaries.

"U.S. BANK SALE\LEASEBACK" means the sale to U.S. Bank, National Association and subsequent leaseback by Borrower of the equipment described on Schedule 1.2.

"WHOLLY-OWNED SUBSIDIARY" means a Subsidiary of Borrower, 100% of the capital stock or other equity interest of which is owned, directly or indirectly, by Borrower, EXCEPT for director's qualifying shares required by applicable Laws.

1.2 USE OF DEFINED TERMS. Any defined term used in the plural shall refer to all members of the relevant class, and any defined term used in the singular shall refer to any one or more of the members of the relevant class.

1.3 ACCOUNTING TERMS. All accounting terms not specifically defined in this Agreement shall be construed in conformity with, and all financial data required to be submitted by this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, EXCEPT as otherwise specifically prescribed herein. In the event that GAAP change during the term of this Agreement such that the financial covenants contained in Sections 6.11 through 6.19 would then be calculated in a different manner or with different components, Borrower and the Lenders agree to amend this Agreement in such respects as are necessary to conform those covenants as criteria for evaluating Borrower's financial condition to substantially the same criteria as were effective prior to such change in GAAP.

1.4 ROUNDING. Any financial ratios required to be maintained by Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed in this Agreement and rounding the result up or down to the nearest number (with a round-up if there is no nearest number) to the number of places by which such ratio is expressed in this Agreement.

1.5 EXHIBITS AND SCHEDULES. All Exhibits and Schedules to this Agreement, either as originally existing or as the same may from time to time be supplemented, modified, amended, or supplanted are incorporated herein by this reference.

1.6 MISCELLANEOUS TERMS. The term "or" is disjunctive; the term "and" is conjunctive. The term "shall" is mandatory; the term "may" is permissive. Masculine terms also apply to females; feminine terms also apply to males. The term "including" is by way of example and not limitation.

ARTICLE 2
LOANS AND LETTERS OF CREDIT

2.1 LOANS -- GENERAL.

(a) Subject to the terms and conditions set forth in this Agreement, at any time and from time to time from the Closing Date through the Revolver Termination Date, each Lender shall, pro rata according to that Lender's Pro Rata Share of the Revolving Commitment, make Advances to Borrower under the Revolving Commitment in such amounts as Borrower may request that do not exceed in the aggregate at any one time outstanding that Lender's Pro Rata Share of the Revolving Commitment; PROVIDED that, giving effect to the requested Loan, Revolving Usage does not exceed the Maximum Revolving Credit Amount. Subject to the limitations set forth herein (including, without limitation, the requirements of Section 3.6(d)), Borrower may borrow, repay and reborrow under the Revolving Commitment without premium or penalty.

(b) Subject to the terms and conditions set forth in this Agreement, on the Closing Date, each Lender shall make a Term Loan to Borrower under the Term Commitment in the full amount of such Lender's Pro Rata Share of the Term Commitment. The Term Loan shall be evidenced by the A Term Notes. Amounts repaid under the Term Commitment may not be reborrowed, but may be refinanced with the proceeds of new Term Loans.

(c) Subject to the next sentence, each Loan shall be made pursuant to a written Request for Loan which shall specify (i) the requested date of such Loan, (ii) whether such Loan is to be under the Revolving Commitment or the Term Commitment, (iii) whether such Loan is to be a Base Rate Loan or a Eurodollar Rate Loan, (iv) the amount of such Loan, and (v) the Eurodollar Period for such Loan if such Loan is to be a Eurodollar Rate Loan.

(d) Promptly following receipt of a Request for Loan, the Administrative Agent shall notify each Lender by telephone or telecopier of the date and type of the Loan, the applicable Eurodollar Period, and that Lender's Pro Rata Share of the Loan. Not later than 11:00 a.m., Los Angeles time, on the date specified for any Loan, each Lender shall make its Pro Rata Share of that Loan available to the Administrative Agent at the Administrative Agent's Office in immediately available funds. Upon fulfillment of the applicable conditions set forth in Article 8, the Loan shall be credited in immediately available funds to the Funding Account.

(e) Unless the Requisite Lenders otherwise consent, (i) each Base Rate Loan shall be in an integral multiple of \$100,000 which is not less than \$250,000 and (ii) each Eurodollar Rate Loan shall be in an integral multiple of \$100,000 which is not less than \$1,000,000.

(f) If no Request for Loan has been delivered within the requisite notice periods set forth in Sections 2.2 or 2.3 in connection with a Loan which, if made, would not increase the outstanding principal amount of the Obligations, then Borrower shall be deemed to have requested, as of the date upon which the related then outstanding Loan is due pursuant to Section 3.1(d)(i) and not paid, a Base Rate Loan in an amount equal to the amount necessary to cause the outstanding principal amount of the Obligations to remain the same and the Lenders

shall make the Advances necessary to make such Loan notwithstanding Borrower's failure to deliver a Request for Loan or other notice required by Sections 2.1(b), 2.2 and 2.3.

(g) Unless the Administrative Agent otherwise consents, no more than ten Eurodollar Rate Loans shall be outstanding at any one time.

(h) A Request for Loan shall be irrevocable upon the Administrative Agent's first notification thereof.

2.2 BASE RATE LOANS. Each request by Borrower for a Base Rate Loan shall be made pursuant to a Request for Loan received by the Administrative Agent, at the Administrative Agent's Office, not later than 1:00 p.m., Los Angeles time, on the Business Day prior to the Business Day of the requested Base Rate Loan. All Loans shall constitute Base Rate Loans unless properly designated as Eurodollar Rate Loans pursuant to Section 2.3.

2.3 EURODOLLAR RATE LOANS.

(a) Each request by Borrower for a Eurodollar Rate Loan shall be made pursuant to a Request for Loan received by the Administrative Agent, at the Administrative Agent's Office, not later than 10:00 a.m., Los Angeles time, at least three Eurodollar Business Days before the first day of the applicable Eurodollar Period.

(b) At or about 11:00 a.m., Los Angeles time, two Eurodollar Business Days before the first day of the applicable Eurodollar Period, the Administrative Agent shall determine the applicable Eurodollar Rate (which determination shall be conclusive in the absence of manifest error) and promptly shall give notice of the same to Borrower and the Lenders by telephone, telecopier or telex.

(c) No Eurodollar Rate Loan may be requested during the continuance of a Default or Event of Default.

(d) Nothing contained herein shall require any Lender to fund any Eurodollar Rate Loan in the Designated Eurodollar Market.

2.4 REDESIGNATION OF LOANS. Borrower may redesignate a Base Rate Loan, or any portion thereof subject to Sections 2.1(e) and 2.1(g), as a Eurodollar Rate Loan by delivering a Request for Redesignation to the Administrative Agent at the Administrative Agent's Office subject to the same time limitations and other conditions set forth in Sections 2.3 and 3.1(e)(iv) in the case of a Request for Loan. Borrower may redesignate a Eurodollar Rate Loan, or any portion thereof subject to Section 2.1(e), as a Base Rate Loan by delivering a Request for Redesignation to the Administrative Agent at the Administrative Agent's Office subject to the same time limitations and other conditions set forth in Sections 2.2 and 3.1(e)(iv); PROVIDED that such redesignation shall not be effective prior to the end of the Eurodollar Period for that Eurodollar Rate Loan. If no timely Request for Redesignation is delivered to the Administrative Agent prior to the end of the Eurodollar Period for any Eurodollar Rate Loan, it shall automatically be redesignated as a Base Rate Loan as of the end of such Eurodollar Period.

2.5 LETTERS OF CREDIT.

(a) Subject to the terms and conditions hereof, at any time and from time to time from the Closing Date through the day prior to the Revolver Termination Date, the Issuing Lender shall issue such Letters of Credit as Borrower may request by a Request for Letter of Credit; PROVIDED that, giving effect to the issuance of such Letter of Credit, (i) in no event shall the Letter of Credit Usage exceed \$500,000 at any time, and (ii) after giving effect to the requested Letter of Credit, Revolving Usage does not exceed the Maximum Revolving Credit Amount.

(b) Unless all the Lenders otherwise consent in writing, no Letter of Credit shall have a term which exceeds one year or extends more than 90 days beyond the Revolver Termination Date.

(c) Each Request for Letter of Credit shall be submitted to the Issuing Lender at least five Business Days prior to the date when the issuance of the Letter of Credit is requested. Upon issuance of each Letter of Credit, the Issuing Lender shall promptly notify the Administrative Agent, and the Administrative Agent shall thereafter promptly notify the Lenders, of the amount and terms thereof.

(d) Upon the issuance of each Letter of Credit, each Lender shall be deemed to have purchased a pro rata participation from the Issuing Lender, in an amount equal to that Lender's Pro Rata Share of the Revolving Commitment, of the Letter of Credit. Without limiting the scope and nature of each such Lender's participation in any Letter of Credit, to the extent that the Issuing Lender has not been reimbursed by Borrower for any payment required to be made by the Issuing Lender under any Letter of Credit, each such Lender shall reimburse the Administrative Agent for the account of the Issuing Lender, promptly upon demand for the amount of such payment in accordance with its Pro Rata Share of the Revolving Commitment. The obligation of each such Lender to so reimburse the Issuing Lender shall be absolute and unconditional and shall not be affected by the occurrence of an Event of Default or any other occurrence or event. Any such reimbursement shall not relieve or otherwise impair the obligation of Borrower to reimburse the Issuing Lender for the amount of any payment made by the Issuing Lender under any Letter of Credit together with interest as hereinafter provided.

(e) After the making by the Issuing Lender of any payment with respect to any Letter of Credit issued for the account of Borrower, Borrower agrees to pay to the Issuing Lender, within one Business Day after demand therefor, a principal amount equal to any payment made by the Issuing Lender under that Letter of Credit, together with interest at the Default Rate on such amount from the date of any payment made by the Issuing Lender through the date of payment by Borrower. The principal amount of any such payment made to the Issuing Lender shall be used to reimburse the Issuing Lender for the payment made by it under the Letter of Credit. Each Lender that has reimbursed the Issuing Lender pursuant to Section 2.5(d) for its Pro Rata Share of any payment made by the Issuing Lender under a Letter of Credit shall thereupon acquire a participation, to the extent of such reimbursement, in the claim of the Issuing Lender against Borrower under this Section 2.5(e).

(f) If Borrower fail to make the payment required by Section 2.5(d), the Administrative Agent may but is not required to, without notice to or the consent of Borrower, cause Advances to be made by the Lenders having a Pro Rata Share in the Revolving

Commitment in accordance with their respective Pro Rata Shares of the Revolving Commitment in an aggregate amount equal to the amount paid by the Issuing Lender on that Letter of Credit and, for this purpose, the conditions precedent set forth in Article 8 shall not apply. The proceeds of such Advances shall be paid to the Issuing Lender to reimburse it for the payment made by it under the Letter of Credit.

(g) The issuance of any supplement, modification, amendment, renewal, or extension to or of any Letter of Credit shall be treated in all respects the same as the issuance of a new Letter of Credit, and shall require the submission of a new Request for Letter of Credit; PROVIDED however that nothing contained in this clause (h) shall require the payment of any additional issuance fees in respect thereof by Borrower OTHER THAN with respect to any extension of the term thereof or renewal thereof or any increase in the amount of such Letter of Credit.

(h) The obligation of Borrower to pay to the Issuing Lender the amount of any payment made by the Issuing Lender under any Letter of Credit issued to Borrower shall be absolute, unconditional, and irrevocable, subject only to performance by the Issuing Lender of its obligations to Borrower under California Commercial Code Section 5109. Without limiting the foregoing, the obligations of Borrower shall not be affected by any of the following circumstances but only to the extent such circumstances are not a result of the gross negligence or willful misconduct of the Issuing Lender:

(i) any lack of validity or enforceability of the Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;

(ii) any amendment or waiver of or any consent to departure from the Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;

(iii) the existence of any claim, setoff, defense, or other rights which Borrower may have at any time against any Lender, any beneficiary of the Letter of Credit (or any persons or entities for whom any such beneficiary may be acting) or any other Person, whether in connection with the Letter of Credit, this Agreement, or any other agreement or instrument relating thereto, or any unrelated transactions;

(iv) any demand, statement, or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid, or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever so long as any such document appeared to comply with the terms of the Letter of Credit;

(v) the solvency or financial responsibility of any party issuing any documents in connection with a Letter of Credit;

(vi) any failure or delay in notice of shipments or arrival of any Property;

(vii) any error in the transmission of any message relating to a Letter of Credit not caused by the Issuing Lender, or any delay or interruption in any such message;

(viii) any error, neglect or default of any correspondent of the Issuing Lender in connection with a Letter of Credit;

(ix) any consequence arising from acts of God, war, insurrection, disturbances, labor disputes, emergency conditions or other causes beyond the control of the Lenders;

(x) so long as the Issuing Lender in good faith determines that the draft, contract or document appears to comply with the terms of the Letter of Credit, the form, accuracy, genuineness or legal effect of any contract or document referred to in any document submitted to the Issuing Lender in connection with a Letter of Credit; and

(xi) where the Issuing Lender has acted in good faith and without gross negligence, any other circumstance whatsoever.

(i) The Issuing Lender shall be entitled to the protection accorded to the Administrative Agent pursuant to Article 10, MUTATIS MUTANDIS.

2.6 EXTENSIONS OF THE REVOLVER TERMINATION DATE. The Revolver Termination Date may be extended for the periods described below at the request of Borrower and with the written consent of all of the Lenders (which may be withheld in the sole and absolute discretion of each Lender) pursuant to this Section, PROVIDED that not more than two such extensions shall occur. Not earlier than April 1, 2001 nor later than August 31, 2001, Borrower may deliver to the Administrative Agent and the Lenders a written request for a one year extension of the Revolver Termination Date stating the amount of the extension fee offered for the ratable account of the Lenders in consideration of the requested extension. Each such written request shall be accompanied by a Certificate signed by a Senior Officer stating that no Default or Event of Default exists and confirming that each of the representations and warranties set forth in ARTICLE 4 (OTHER THAN Sections 4.6 (first sentence), 4.11, and 4.18) are true and correct as of the date of the Certificate as though made on that date (except such representations and warranties expressly made as of a specified date, which shall be true and correct as of such specified date).

Each Lender shall notify the Administrative Agent within 60 days of receipt of such request whether (in its sole and absolute discretion) it consents to the requested extension. The Administrative Agent shall, after receiving notice from all of the Lenders or the expiration of such period, whichever is earlier, notify Borrower and the Lenders of the results thereof. Any Lender that has not expressly consented to such request within such 60 day period shall be treated as a non-consenting Lender hereunder. If all of the Lenders have consented, then the Revolver Termination Date shall automatically be extended for one year. If any Lender either (a) fails to affirmatively consent or (b) declines, then the Revolving Termination Date shall not be extended.

2.7 MANDATORY PREPAYMENTS OF THE TERM LOANS. The outstanding principal amount of the Term Loans shall be prepaid (and the Term Commitment shall concurrently automatically and permanently reduce):

(a) ninety days following the date upon which Borrower or any of its Subsidiaries receive the proceeds of any sales of fixed or capital assets or the proceeds of any

casualty insurance (other than proceeds received from crop insurance settlements) or the proceeds of any eminent domain, condemnation or similar taking, in an amount which is equal to 100% of the Net Cash Proceeds thereof unless the Borrower or such Subsidiary has reinvested such Net Cash Proceeds in similar Collateral;

(b) on the date upon which Borrower or its Subsidiaries receive the proceeds of their issuance of any Indebtedness (other than the proceeds of purchase money Indebtedness permitted by Section 6.8(e), in an amount equal to the net proceeds to Borrower and its Subsidiaries of such Indebtedness;

(c) on the date upon which Borrower or any of its Subsidiaries, or any holding company for the stock of Borrower, receive the proceeds of any equity securities following the Closing Date, in an amount equal to 50% of, the Net Cash Proceeds thereof (other than the exercise of management or employee incentive options in an aggregate amount which does not exceed \$250,000); and

(d) by February 15, 2001 and by February 15 of each succeeding year, in an amount equal to 50% of Excess Cash Flow for the immediately preceding Fiscal Year PROVIDED that if no Default or Event of Default then exists and Borrower demonstrates to the reasonable satisfaction of the Administrative Agent that no material diminution in the real and fixed asset values of Borrower and its Subsidiaries have occurred since the Closing Date, then Borrower shall not be required to make any of the prepayments referred to in this clause (d) to the extent that the aggregate principal balance of the outstanding Term Loans would be reduced to an amount which is less than \$5,250,000.

(e) concurrently with the receipt by Borrower of any Landec Equity Contributions, (i) to the extent of the first \$2,500,000 in Landec Equity Contributions, prepay the installments due with respect to the A Term Notes (with application in the manner set forth in the last sentence of this Section), and (ii) to the extent of any Landec Equity Contributions which exceed \$2,500,000, first (A) to the outstanding principal Obligations under the Revolving Commitment until the average daily Revolving Availability plus cash balances for the six month period then ending (after giving effect to such prepayment on a pro forma basis for the entire period) is increased to \$2,000,000, and then (B) to the Obligations in the manner specified by Borrower. The Landec Equity Contributions are limited to \$5,000,000.

Each prepayment made pursuant to this Section (other than those under clause (e)(ii) hereof) shall reduce the amount required to be repaid on each of the last twelve Amortization Dates ratably (or, if fewer such dates remain, the remaining number).

2.8 REDUCTIONS OF THE REVOLVING COMMITMENT. Borrower shall have the right, at any time and from time to time, without penalty or charge, upon at least five Business Days prior written notice to the Administrative Agent, voluntarily to reduce, permanently and irrevocably, in aggregate principal amounts in an integral multiple of \$500,000, or to terminate, all or any portion of the then undisbursed portion of the Revolving Commitment, PROVIDED that any such reduction or termination shall be accompanied by payment of all accrued and unpaid commitment fees with respect to the portion of the Revolving Commitment being reduced or terminated.

2.9 RIGHTS TO ASSUME FUNDS AVAILABLE FOR ADVANCES. Unless the Administrative Agent shall have been notified by any Lender no later than 10:00 a.m. (Los Angeles time) no later than

the Business Day prior to the Business Day proposed for the funding by the Administrative Agent of any Loan that any such Lender does not intend to make available to the Administrative Agent such Lender's portion of the total amount of any such Loan, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on the date of the Loan and may, in reliance upon such assumption, make available to Borrower a corresponding amount. If the Administrative Agent has made funds available to Borrower based on such an assumption and such corresponding amount is not in fact made available to the Administrative Agent by such Lender, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender. If such Lender does not pay such corresponding amount forthwith upon demand therefor, the Administrative Agent promptly shall notify Borrower and Borrower shall pay such corresponding amount to the Administrative Agent. The Administrative Agent also shall be entitled to recover from such Lender interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to Borrower to the date such corresponding amount is recovered by the Administrative Agent, at a rate per annum equal to the Federal Funds Rate. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Pro Rata Share or to prejudice any rights which the Administrative Agent may have against any Lender as a result of any default by such Lender hereunder.

2.10 COLLATERAL. The Obligations shall be secured by a first priority (SUBJECT TO Liens permitted by Section 6.9) perfected Lien on the Collateral pursuant to the Collateral Documents.

2.11 DETERMINATION OF BORROWING BASE. Borrower acknowledges that the advance rates against Eligible Receivables, Eligible Inventory, Eligible Grower Advances and Eligible Note Receivables shall be subject to periodic collateral audits and field examinations to be completed by auditors selected by the Administrative Agent from time to time subsequent to the Closing Date at the expense of Borrower and such auditors' review of inventory reporting information, whether such reporting information is specifically required hereunder or otherwise, PROVIDED, HOWEVER, that in the absence of the occurrence and continuance of an Event of Default, Lender agrees that it will not perform any such audit and field examination more frequently than twice per calendar year. Each such advance rate may be reduced as a result of such audits and field examinations, in which case Lender shall notify Borrower in writing of such reduced advance rate. If no Event of Default has occurred, at Borrower's request, the Administrative Agent will provide an estimate of the costs anticipated in connection with any audit or inspection.

ARTICLE 3

PAYMENTS AND FEES

3.1 PRINCIPAL AND INTEREST.

(a) Interest shall be payable on the outstanding daily unpaid principal amount of each Loan from the date thereof until payment in full is made and shall accrue and be payable at the rates set forth herein before and after default, before and after maturity, before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law, with interest on overdue interest to bear interest at the Default Rate to the fullest extent permitted by applicable Laws.

(b) Interest accrued on each Base Rate Loan shall be due and payable on the last day of each calendar month. EXCEPT as otherwise provided in Section 3.7, the unpaid principal amount of each Base Rate Loan shall bear interest at a fluctuating rate per annum equal to the Base Rate plus the Base Rate Margin. Each change in the interest rate hereunder shall take effect simultaneously with the corresponding changes in the Base Rate.

(c) Interest accrued on each Eurodollar Rate Loan shall be due and payable on the earlier of (i) the last day of the related Eurodollar Period or (ii) the last day of each calendar quarter. EXCEPT as otherwise provided in Section 3.7 the unpaid principal amount of any Eurodollar Rate Loan shall bear interest at a rate per annum equal to the Eurodollar Rate for that Eurodollar Rate Loan PLUS the Applicable Eurodollar Margin.

(d) If not sooner paid, the principal Indebtedness under this Agreement shall be payable as follows:

(i) The amount, if any, by which the principal Indebtedness evidenced by the Revolving Notes at any time exceeds the Maximum Revolving Credit Amount shall be payable immediately.

(ii) The A Term Notes shall be payable on each Amortization Date in the related Amortization Amount until paid in full.

(iii) The principal amount of each Eurodollar Rate Loan shall be immediately payable in cash on the last day of the related Eurodollar Period.

(iv) The outstanding principal balance of all of the other Loans shall, in any event, be payable on the Term Maturity Date.

(e) The Loans may, at any time and from time to time, voluntarily be paid or prepaid in whole or in part without premium or penalty and without prior notice, EXCEPT that with respect to any voluntary prepayment under this Section 3.1 (e), (i) each prepayment shall be in an integral multiple of \$100,000, which is, in the case of any prepayment of any Eurodollar Rate Loan, not less than \$500,000, (ii) the Administrative Agent shall have received written notice of any prepayment at least one Business Day, in the case of a Base Rate Loan, or three Business Days, in the case of a Eurodollar Rate Loan, before the date of prepayment, which notice shall identify the date and amount of the prepayment and the Loan(s) being

prepaid, (iii) each prepayment of principal shall be accompanied by payment of interest accrued through the date of payment on the amount of principal paid, and (iv) in any event, any payment or prepayment of all or any part of any Eurodollar Rate Loan on a day other than the last day of the applicable Eurodollar Period shall be subject to Section 3.6(d).

3.2 COMMITMENT FEES. From and after the Closing Date, Borrower shall pay commitment fees to the Administrative Agent for the account of the Lenders in accordance with their Pro Rata Shares of the Revolving Commitment, an amount equal to the Commitment Fee Rate applicable to each relevant Pricing Period TIMES the actual daily difference between (a) the Revolving Commitment and (b) Revolving Usage. Commitment fees shall be payable quarterly in arrears on each the last Business Day of each calendar quarter, and on the Revolver Termination Date.

3.3 LETTER OF CREDIT FEES. With respect to each Letter of Credit issued by the Issuing Lender, Borrower shall pay to the Issuing Lender the following fees on a non-refundable basis:

(i) quarterly, in arrears, for the duration of any Letter of Credit, for the ratable account of the Lenders with a Pro Rata Share under which such Letter of Credit is issued, a letter of credit fee equal to the Applicable Eurodollar Margin times the maximum face amount of each Letter of Credit, but not less than \$1,000, PLUS

(ii) for the sole account of the Issuing Lender, such standard payment, negotiation, processing, amendment and other similar charges as and when the Issuing Lender may from time to time advise Borrower are applicable to Letters of Credit.

3.4 FACILITY FEES. On the Closing Date, Borrower shall pay to the Administrative Agent a fee in an amount set forth in a letter agreement dated November 16, 1999 between the Administrative Agent and Borrower.

3.5 CAPITAL ADEQUACY. If any Lender determines that either (i) the introduction of or any change in any law, order or regulation or in the interpretation or administration of any law, order or regulation by any Governmental Agency charged with the interpretation thereof or (ii) compliance with any guideline or request issued or made from the date hereof from any such Governmental Agency (whether or not having the force of law) has or would have the effect of reducing the rate of return on the capital of that Lender or any corporation controlling that Lender as a consequence of that Lender's Pro Rata Share or the making or maintaining of Loans or Letters of Credit below the rate at which that Lender or such other corporation could have achieved but for such introduction, change or compliance (taking into account the policies of that Lender or corporation with regard to capital), then Borrower shall from time to time, within five Business Days after demand by such Lender, pay to that Lender additional amounts sufficient to compensate such Lender or other corporation for such reduction. A certificate as to such amounts, submitted to Borrower by the relevant Lender, shall be conclusive and binding for all purposes, absent manifest error.

3.6 EURODOLLAR FEES AND COSTS.

(a) If, after the date hereof, the existence or occurrence of any Special Eurodollar Circumstance:

(1) shall subject any Lender or its Eurodollar Lending Office to any tax, duty or other charge or cost with respect to any Eurodollar Rate Advance, or its obligation to make Eurodollar Rate Advances, or shall change the basis of taxation of payments to any Lender of the principal of or interest on any Eurodollar Rate Advance or any other amounts due under this Agreement in respect of any Eurodollar Rate Advance or its obligation to make Eurodollar Rate Advances (EXCEPT for changes in any tax, duty or other charge on the overall net income, gross income or gross receipts of such Lender or its Eurodollar Lending Office);

(2) shall impose, modify or deem applicable any reserve (INCLUDING any reserve imposed by the Board of Governors of the Federal Reserve System), special deposit or similar requirements against assets of, deposits with or for the account of, or credit extended by, any Lender or its Eurodollar Lending Office; or

(3) shall impose on any Lender or its Eurodollar Lending Office or the Designated Eurodollar Market any other condition affecting any Eurodollar Rate Loan, its obligation to make Eurodollar Rate Advances or this Agreement, or shall otherwise affect any of the same;

and the result of any of the foregoing, as reasonably determined by such Lender, increases the cost to such Lender or its Eurodollar Lending Office of making or maintaining any Eurodollar Rate Advance or in respect of any Eurodollar Rate Advance, its obligation to make Eurodollar Rate Advances or reduces the amount of any sum received or receivable by such Lender or its Eurodollar Lending Office with respect to any Eurodollar Rate Advance or its obligation to make Eurodollar Rate Advances (assuming the Lender's Eurodollar Lending Office had funded 100% of its Eurodollar Rate Advance in the Designated Eurodollar Market), then, within five Business Days after demand by such Lender (with a copy to the Administrative Agent) Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction (determined as though such Lender's Eurodollar Lending Office had funded 100% of its Eurodollar Rate Advance in the Designated Eurodollar Market). A statement of any Lender claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. Each Lender agrees to endeavor promptly to notify Borrower of any event of which it has actual knowledge (and, in any event, within one year from the date on which it obtained such knowledge), occurring after the Closing Date, which will entitle such Lender to compensation pursuant to this Section, and agrees to designate a different Eurodollar Lending Office if such designation will avoid the need for or reduce the amount of such compensation and will not, in the judgment of such Lender, otherwise be disadvantageous to such Lender.

(b) If, after the date hereof, the existence or occurrence of any Special Eurodollar Circumstance shall, in the reasonable opinion of any Lender, make it unlawful, impossible or impracticable for such Lender or its Eurodollar Lending Office to make, maintain or fund any Eurodollar Rate Loan, or materially restrict the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the Designated Eurodollar Market, or to determine or charge interest rates based upon the Eurodollar Rate, and such Lender shall so notify the Administrative Agent and Borrower, then such Lender's obligation to make Eurodollar Rate Advances shall be suspended for the duration of such illegality, impossibility or impracticability and the Administrative Agent forthwith shall give notice thereof to the other Lenders and Borrower. Upon receipt of such notice, the outstanding principal amount of such

Lender's Eurodollar Rate Advances, together with accrued interest thereon, automatically shall be converted to Base Rate Advances with Eurodollar Periods corresponding to the Eurodollar Loans of which such Eurodollar Rate Advances were a part on either (1) the last day of the Eurodollar Period(s) applicable to such Eurodollar Rate Advances if such Lender may lawfully continue to maintain and fund such Eurodollar Rate Advances to such day(s) or (2) immediately if such Lender may not lawfully continue to fund and maintain such Eurodollar Rate Advances to such day(s), PROVIDED that in such event the conversion shall not be subject to payment of a prepayment fee under Section 3.6(d). In the event that such Lender is unable, for the reasons set forth above, to make, maintain or fund any Eurodollar Rate Loan, such Lender shall fund such amount as a Base Rate Advance for the same period of time, and such amount shall be treated in all respects as a Base Rate Advance.

(c) If, with respect to any proposed Eurodollar Rate Loan:

(1) the Administrative Agent reasonably determines that, by reason of circumstances affecting the Designated Eurodollar Market generally that are beyond the reasonable control of the Lenders, deposits in Dollars (in the applicable amounts) are not being offered to the Lenders in the Designated Eurodollar Market for the applicable Eurodollar Period; or

(2) the Requisite Lenders advise the Administrative Agent that the Eurodollar Rate as determined by the Administrative Agent (i) does not represent the effective pricing to such Lenders for deposits in Dollars in the Designated Eurodollar Market in the relevant amount for the applicable Eurodollar Period, or (ii) will not adequately and fairly reflect the cost to such Lenders of making the applicable Eurodollar Rate Advances;

then the Administrative Agent forthwith shall give notice thereof to Borrower and the Lenders, whereupon until the Administrative Agent notifies Borrower that the circumstances giving rise to such suspension no longer exist, the obligation of the Lenders to make any future Eurodollar Rate Advances shall be suspended. If at the time of such notice there is then pending a Request for Loan that specifies a Eurodollar Rate Loan, such Request for Loan shall be deemed to specify a Base Rate Loan.

(d) Upon payment or prepayment of any Eurodollar Rate Loan, (OTHER THAN as the result of a conversion required under Section 3.6(b)), on a day other than the last day in the applicable Eurodollar Period (whether voluntarily, involuntarily, by reason of acceleration, or otherwise), or upon the failure of Borrower to borrow on the date or in the amount specified for a Eurodollar Rate Loan in any Request for Loan, Borrower shall indemnify the Lenders against and reimburse each Lender on demand for all costs, expenses, penalties, losses, legal fees and damages incurred or sustained, or that would be incurred or sustained, by the Lenders, INCLUDING loss of interest, as reasonably determined by the Lenders, to the extent that the same are a direct result of such payment, prepayment or failure to borrow. Each Lender's determination of the amount payable under this Section 3.6(d) shall be conclusive in the absence of manifest error. The loss of interest by a Lender will be calculated as (i) the principal amount of the subject Loan, TIMES (ii) a fraction the numerator of which is the number of days between the date of payment and the last day of the applicable Eurodollar Period, and the denominator of which is 360, TIMES (iii) the Eurodollar Rate for the subject Loan, MINUS the Eurodollar Rate that would be applicable to a Loan in the amount of the

subject Loan to be made on the date of prepayment or a period equal to the number of days remaining in the applicable Eurodollar Period (to the extent such difference is a positive number).

3.7 POST DEFAULT INTEREST AND LATE PAYMENTS. At the option of the Requisite Lenders, so long as any Event of Default has occurred and is continuing, the Loans shall thereafter bear interest, and if any installment of principal or interest or any fee or cost or other amount payable under any Loan Document to any Creditor is not paid when due, it shall thereafter bear interest until paid in full, at a fluctuating interest rate per annum at all times equal to the greater of (a) the Base Rate plus 2% per annum or (b) 2% per annum above the rate of interest that would otherwise be applicable pursuant to this Agreement (the "Default Rate"), to the fullest extent permitted by applicable Laws. Accrued and unpaid interest on past due amounts (INCLUDING interest on past due interest) shall be compounded quarterly, on the last day of each calendar quarter, to the fullest extent permitted by applicable Laws.

3.8 RIGHT TO ASSUME PAYMENTS WILL BE MADE BY BORROWER. Unless the Administrative Agent shall have been notified by Borrower prior to the date on which any payment to be made by Borrower hereunder is due that Borrower does not intend to remit such payment, the Administrative Agent may, in its sole discretion, assume that Borrower has remitted such payment when so due and may, in its sole discretion and in reliance upon such assumption, make available to each Lender on such payment date an amount equal to such Lender's share of such assumed payment. If Borrower has not in fact remitted such payment to the Administrative Agent each Lender shall forthwith on demand repay to the Administrative Agent the amount of such assumed payment made available to such Lender, together with interest thereon in respect of each day from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent at the Federal Funds Rate.

3.9 COMPUTATION OF INTEREST AND FEES. Computation of interest or fees under this Agreement shall be calculated on the basis of a year of 360 days and the actual number of days elapsed. Borrower acknowledges that such calculation method will result in a higher yield to the Lenders than a method based on a year of 365 or 366 days.

3.10 NON-BUSINESS DAYS. If any payment to be made by Borrower or any other Party under any Loan Document shall come due on a day other than a Business Day, payment shall instead be considered due on the next succeeding Business Day and the extension of time shall be reflected in computing interest.

3.11 MANNER AND TREATMENT OF PAYMENTS.

(a) Each payment hereunder shall be made to the Administrative Agent, at the Administrative Agent's Office, for the account of the relevant Creditor in immediately available funds not later than 1:00 p.m., Los Angeles time, on the day of payment (which must be a Business Day). All payments received after these deadlines on any Business Day, shall be deemed received on the next succeeding Business Day. The amount of all payments received by the Administrative Agent for the account of any Lender shall be promptly paid by the Administrative Agent to that Lender in immediately available funds. All payments shall be made in lawful money of the United States of America.

(b) Each Lender shall use its best efforts to keep a record of Advances made by it and payments received by it with respect to each of the Loans and such record shall, as against Borrower, be presumptive evidence of the amounts owing. Notwithstanding the foregoing sentence, no Lender shall be liable to any Party for any failure to keep such a record.

(c) Each payment of any amount payable by Borrower or any other Party under this Agreement or any other Loan Document shall be made free and clear of, and without reduction by reason of, any taxes, assessments or other charges imposed by any Governmental Agency, central bank or comparable authority (other than taxes on overall net income, gross income or gross receipts of a Lender or its Eurodollar Lending Office). To the extent that Borrower is obligated by applicable Laws to make any deduction or withholding on account of taxes, assessments or other charges imposed by any Governmental Agency from any amount payable to any Lender under this Agreement, Borrower shall (i) make such deduction or withholding and pay the same to the relevant Governmental Agency and (ii) pay such additional amount to that Lender as is necessary to result in that Lender's receiving a net after-tax (or after-assessment or after-charge) amount equal to the amount to which that Lender would have been entitled under this Agreement absent such deduction or withholding.

3.12 FUNDING SOURCES. Nothing in this Agreement shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

3.13 FAILURE TO CHARGE NOT SUBSEQUENT WAIVER. Any decision by any Creditor not to require payment of any interest (INCLUDING interest arising under Section 3.7), fee, cost or other amount payable under any Loan Document, or to calculate any amount payable by a particular method, on any occasion shall in no way limit or be deemed a waiver of that Creditor's right to require full payment of any interest (INCLUDING interest arising under Section 3.7), fee, cost or other amount payable under any Loan Document, or to calculate an amount payable by another method, on any other or subsequent occasion.

3.14 AUTHORITY TO CHARGE ACCOUNT.

(a) Borrower hereby authorizes Bank of America upon notice from the Administrative Agent to charge the Funding Account and thereafter to remit to the Administrative Agent, in such amounts as may from time to time be necessary to cause timely payment of principal, interest, fees and other charges payable by Borrower under the Loan Documents.

(b) Approximately five days prior to the date any payment is due from Borrower under any of the Loan Documents, the Administrative Agent shall provide to Borrower a statement of the amounts that will be due on such date (the "Billed Amount"). The calculation of the Billed Amount shall be made on the assumption that no new Loans or payments will be made between the date of the billing statement and the date the amounts are due, and that there will be no changes in the applicable interest rate.

(c) Bank of America, upon notice from the Administrative Agent, will charge the Funding Account for the Billed Amount regardless of the actual amount of interest accrued (the "Accrued Amount"). If the Billed Amount charged to the Funding Account differs

from the Accrued Amount, the discrepancy will be treated as follows: (i) if the Billed Amount is less than the Accrued Amount, the Billed Amount for the following payment date will be increased by the amount of the discrepancy (and no Default or Event of Default shall be deemed to have occurred solely as a result of such discrepancy); and (ii) if the Billed Amount is more than the Accrued Amount, the Billed Amount for the following payment date will be decreased by the amount of the discrepancy. Regardless of any such discrepancy, interest will continue to accrue based on the actual amount of principal outstanding under the Loans, without compounding. The Administrative Agent and the Lenders shall not pay to Borrower any interest on any excess payment.

(d) Nothing herein shall obligate the Administrative Agent to charge the Funding Account as provided above at a time when there are not sufficient good funds in such account, and if there are insufficient funds in the Funding Account on a date the Administrative Agent enters any debit authorized hereby, the Administrative Agent shall reverse such debit to the extent of such insufficiency.

3.15 SURVIVABILITY. All of Borrower's obligations under Sections 3.5 and 3.6 shall survive for six months following the date on which all Loans hereunder are fully paid.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to the Creditors as follows:

4.1 EXISTENCE AND QUALIFICATION; POWER; COMPLIANCE WITH LAWS.

Each of Borrower and Landec is a corporation duly formed, validly existing and in good standing under the laws of the state of its incorporation, as described in the preamble to this Agreement. Each of Borrower and Landec is duly qualified to transact business, is in good standing in its jurisdiction of incorporation and each other jurisdiction, in which the conduct of its business or the ownership or leasing of its properties makes such qualification or registration necessary, EXCEPT where the failure so to qualify or register and to be in good standing would not constitute a Material Adverse Effect. The chief executive offices and principal place of business of Borrower are located at the addresses for notices set forth for Borrower in the signature pages to this Agreement. Each of Borrower and Landec has all requisite corporate power and authority to conduct its business, to own and lease its properties and to execute and deliver each Loan Document to which it is a party and to perform the Obligations. All outstanding shares of capital stock of Borrower are duly authorized, validly issued, fully paid, non-assessable and issued in compliance with all applicable state and federal securities and other Laws, and are owned of record by Landec. Except as described in Schedule 4.1, as of the Closing Date, no Person holds any option, warrant or other right to acquire any shares of capital stock of Borrower. Each of Borrower and Landec is in compliance with all Laws and other legal requirements applicable to its business, has obtained all authorizations, consents, approvals, orders, licenses and permits from, and has accomplished all filings, registrations and qualifications with, or obtained exemptions from any of the foregoing from, any Governmental Agency that are necessary for the transaction of its business, EXCEPT where the failure so to comply, file, register, qualify or obtain exemptions does not constitute a Material Adverse Effect.

4.2 AUTHORITY; COMPLIANCE WITH OTHER AGREEMENTS AND INSTRUMENTS AND GOVERNMENT REGULATIONS. The execution, delivery and performance by Borrower and the Guarantors of each Loan Document to which each is a Party have been duly authorized by all necessary corporate action, and do not:

(a) Require any consent or approval not heretofore obtained of any partner, director, stockholder, security holder or creditor of such Party, EXCEPT as heretofore obtained;

(b) Violate or conflict with any provision of such Party's charter, articles of incorporation or bylaws, as applicable;

(c) Result in or require the creation or imposition of any Lien or right of others (OTHER THAN pursuant to the Collateral Documents) upon or with respect to any Property now owned or leased or hereafter acquired by that Party;

(d) Violate any Requirement of Law applicable to such Party in any material respect;

(e) Result in a breach of or constitute a default under, or cause or permit the acceleration of any obligation owed under, any material indenture or loan or credit

agreement or any other Contractual Obligation to which such Party is a party or by which such Party or any of its Property is bound or affected; and

(f) No Party is in violation of, or default under, any Requirement of Law or Contractual Obligation, or any indenture, loan or credit agreement described in Section 4.2(e), in any respect that constitutes a Material Adverse Effect.

4.3 NO GOVERNMENTAL APPROVALS REQUIRED. No authorization, consent, approval, order, license or permit from, or filing, registration or qualification with, any Governmental Agency is required to authorize or permit under applicable Laws the execution, delivery and performance by Borrower and the Guarantors of any of the Loan Documents to which it is a Party, except for those which have been made or obtained and are in full force and effect.

4.4 SUBSIDIARIES.

(a) As of the Closing Date, Schedule 4.4 hereto correctly sets forth the names, the form of legal entity, jurisdictions of organization, chief executive offices and principal place of business of all Subsidiaries of Borrower. Except as described in Schedule 4.4, Borrower does not own as of the Closing Date any capital stock or equity interest in any Person. All of the outstanding shares of capital stock, or all of the units of equity interest, as the case may be, of each such Subsidiary are owned of record and beneficially as indicated on Schedule 4.4, and all such shares or equity interests so owned are duly authorized, validly issued, fully paid, nonassessable, and were issued in compliance with all applicable state, federal and other Laws, and are free and clear of all Liens.

(b) Each such Subsidiary is a legal entity of the form described for that Subsidiary in Schedule 4.4, duly organized, validly existing, and in good standing under the Laws of its jurisdiction of organization, is duly qualified to do business as a foreign organization and is in good standing as such, and has filed fictitious business name statements, in each jurisdiction in which the conduct of its business or the ownership or leasing of its properties makes such qualification necessary (EXCEPT where the failure to be so duly qualified and in good standing does not constitute a Material Adverse Effect), and has all requisite power and authority to conduct its business and to own and lease its properties.

(c) Each such Subsidiary is in compliance with all Laws and other requirements applicable to its business and has obtained all authorizations, consents, approvals, orders, licenses, and permits from, and each such Subsidiary has accomplished all filings, registrations, and qualifications with, or obtained exemptions from any of the foregoing from, any Governmental Agency that are necessary for the transaction of its business, EXCEPT where the failure to be in such compliance, obtain such authorizations, consents, approvals, orders, licenses, and permits, accomplish such filings, registrations, and qualifications, or obtain such exemptions, does not constitute a Material Adverse Effect.

4.5 FINANCIAL STATEMENTS. Borrower has furnished to the Administrative Agent (a) the pro forma opening balance sheet of Borrower as of the Closing Date, (b) the audited combined financial statements of the Acquired Companies on the Closing Date for the Fiscal Year ended December 31, 1998, and (c) the internally prepared combined financial statements of the Acquired Companies for the nine-month fiscal period ended September 30, 1999. Such financial statements fairly present in all material respects the financial condition, results of operations and changes in financial

position of the Acquired Companies as of such dates and for such respective periods in conformity with GAAP consistently applied, subject only to normal year-end accruals and audit adjustments.

4.6 NO OTHER LIABILITIES; NO MATERIAL ADVERSE EFFECT. Landec, Borrower and its Subsidiaries do not have any material liability or material contingent liability required under GAAP to be reflected or disclosed, and not reflected or disclosed, in the financial statements described in Section 4.5, OTHER THAN liabilities and contingent liabilities arising in the ordinary course of business since the date of such financial statements. As of the Closing Date, no circumstance or event has occurred that constitutes a Material Adverse Effect since December 31, 1998.

4.7 TITLE TO AND LOCATION OF PROPERTY. Borrower and its Subsidiaries have valid title to the Property (OTHER THAN assets which are the subject of a Capital Lease) reflected in the financial statements described in Section 4.5, OTHER THAN items of Property or exceptions to title which are in each case immaterial and Property subsequently sold or disposed of in the ordinary course of business. Such Property is free and clear of all Liens and Rights of Others, OTHER THAN those permitted under Section 6.9. All Property of Borrower and its Subsidiaries is located at one of the locations described in Schedule 4.7 other than Property constituting equipment or inventory which are in transit to such locations or in transit to a third party purchaser which will become obligated on a receivable to Borrower upon receipt.

4.8 REAL PROPERTY. Schedule 4.8 sets forth as of the Closing Date a summary description of all real property owned by Borrower and its Subsidiaries, and of all real property leasehold estates held by Borrower and its Subsidiaries, which summary is accurate and complete in all material respects except for real property acquired or leased after the Closing Date after notice to the Administrative Agent.

4.9 INTANGIBLE ASSETS. Borrower and its Subsidiaries own, or possess the right to use to the extent necessary in their respective businesses, all trademarks, trade names, copyrights, patents, patent rights, computer software, licenses and other intangible assets that are used in the conduct of their businesses as now operated. None of the intangible assets described in the first sentence of this Section, to the best knowledge of Borrower, conflicts with the valid trademark, trade name, copyright, patent, patent right or intangible asset of any other Person. The License Agreement is in full force and effect and entitles Borrower and its Subsidiaries to the unrestricted use of the "Intelimer" process and any related, derivative or successor products in connection with the perishable produce products packing industry.

4.10 GOVERNMENTAL REGULATION. Neither Borrower nor any Subsidiary of Borrower is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, the Investment Company Act of 1940 or to any other Law limiting or regulating its ability to incur Indebtedness for money borrowed.

4.11 LITIGATION. EXCEPT for (a) any matter fully covered (subject to applicable deductibles and retentions) by insurance for which the insurance carrier has assumed full responsibility, (b) any matter, or series of related matters, involving a claim against Landec, Borrower or any of its Subsidiaries of less than \$250,000, and (c) matters set forth in Schedule 4.11, as of the Closing Date, there are no actions, suits, proceedings or investigations pending as to which Landec, Borrower or any Subsidiary of Borrower has been served or has received written notice or, to the best knowledge of Landec and Borrower, threatened against or affecting Landec, Borrower, any Subsidiary of Borrower or any Property of any of them before any Governmental Agency. There is no reasonable basis, to the best

knowledge of Borrower, for any action, suit, proceeding or investigation against or affecting Landec, Borrower, any Subsidiary of Borrower or any Property of any of them before any Governmental Agency which would constitute a Material Adverse Effect.

4.12 BINDING OBLIGATIONS. Each of the Loan Documents to which Borrower and the Guarantors are a party will, when executed and delivered by such Party, constitute the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, EXCEPT as enforcement may be limited by Debtor Relief Laws or equitable principles relating to the granting of specific performance and other equitable remedies and/or defenses as a matter of judicial discretion.

4.13 NO DEFAULT. No event has occurred and is continuing that is a Default or Event of Default.

4.14 ERISA.

(a) EXCEPT as disclosed in Schedule 4.14, as of the Closing Date neither Borrower nor any ERISA Affiliate of Borrower maintains, contributes to or is required to contribute to any "employee pension benefit plan" that is subject to Title IV of ERISA.

(b) With respect to each Pension Plan disclosed in Schedule 4.14:

(i) such Pension Plan complies in all material respects with ERISA and any other applicable Laws;

(ii) such Pension Plan has not incurred any material "accumulated funding deficiency", as that term is defined in Section 302 of ERISA;

(iii) no "reportable event" (as defined in Section 4043 of ERISA) (other than a "reportable event" that is not subject to the provision of 30-day notice to the PBGC) has occurred that would subject Borrower or any Subsidiary of Borrower to any liability with respect to such Pension Plan that would constitute a Material Adverse Effect;

(iv) neither Borrower nor any Subsidiary of Borrower has engaged in any non-exempt "prohibited transaction" (as defined in Section 4975 of the Code) that would subject Borrower or any Subsidiary of Borrower to any penalty that would constitute a Material Adverse Effect;

(v) no Termination Event has occurred or, to the best knowledge of Borrower, may reasonably be expected to occur; and

(vi) no material unfunded vested liabilities exist under any Pension Plan and the present value of all benefit liabilities under each Pension Plan and each Pension Plan of a Subsidiary and of an ERISA Affiliate do not exceed by a material amount the value of the assets of such Plan.

(c) As of the Closing Date, all contributions required to be made by Borrower or any of its Subsidiaries to a Multiemployer Plan described in Schedule 4.14 have been made except as may be described in Schedule 4.14. Neither Borrower, any Subsidiary of

Borrower, nor any ERISA Affiliate has incurred any withdrawal liability under Section 4201 of ERISA that could have a material adverse effect on Borrower, its Subsidiaries or any ERISA Affiliate. Neither Borrower nor any ERISA Affiliate of Borrower has received any notification that any Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and no Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, where such reorganization has resulted or can reasonably be expected to result in an increase in the contributions required to be made to such Plan that could have a material adverse effect on Borrower and its Subsidiaries taken as a whole.

(d) Each of Borrower, its Subsidiaries and its ERISA Affiliates are in compliance with those provisions of ERISA which are applicable to Borrower, its Subsidiaries and its ERISA Affiliates, the non-compliance with which would have a Material Adverse Effect on Borrower.

4.15 REGULATIONS T, U AND X. No part of the proceeds of any Loan hereunder will be used to purchase or carry, or to extend credit to others for the purpose of purchasing or carrying, any "margin stock" (as such term is defined in Regulation U) in violation of Regulations T, U or X. Neither Landec, Borrower nor any Subsidiary of Borrower is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any such "margin stock."

4.16 DISCLOSURE. No written statement made by a Responsible Official of Borrower or any Guarantor to any Creditor in connection with this Agreement, or in connection with any Loan, contains any untrue statement of a material fact or omits a material fact (which fact is known to Borrower or such Guarantor, in the case of materials not furnished by Borrower or such Guarantor) necessary to make the statement made not misleading in light of all the circumstances existing at the date the statement was made and taken together with all of the information so provided. There is no fact known to Borrower or any Guarantor (OTHER THAN facts generally applicable to businesses of the types engaged in by Borrower) which would constitute a Material Adverse Effect that has not been disclosed in writing to the Lenders.

4.17 TAX LIABILITY. Borrower and its Subsidiaries have filed all tax returns which are required to be filed, and have paid, withheld, collected or remitted, all taxes, interest, penalties and installments of taxes due and payable by them with respect to the periods, Property or transactions covered by such returns, or pursuant to any assessment received by either Borrower or any Subsidiary of Borrower, EXCEPT (a) taxes for which Borrower or such Subsidiary has been fully indemnified and (b) such taxes, if any, as are being contested in good faith by appropriate proceedings diligently pursued and as to which adequate reserves have been established and maintained. To the best knowledge of Borrower, there is no tax assessment contemplated or proposed by any Governmental Agency against Borrower or any Subsidiary of Borrower that would constitute a Material Adverse Effect.

4.18 PROJECTIONS. To the best knowledge of Landec and Borrower, the assumptions set forth in the Projections attached hereto as Schedule 4.18 are reasonable and consistent with each other and with all facts known to Landec or Borrower and no material assumption is omitted as a basis for the Projections, and the Projections are reasonably based on such assumptions. Nothing in this Section shall be construed as a representation or covenant that the Projections in fact will be achieved.

4.19 SECURITY INTERESTS. The Collateral Documents create a valid security interest in the Collateral described therein in favor of the Administrative Agent securing the Obligations. Upon

(a) the filing of UCC-1 financing statements delivered to the Administrative Agent pursuant to Section 8.1(a) with the appropriate Governmental Agencies, (b) the filing of the Trademark Security Agreement and Patent Security Agreement with the United States Patent and Trademark Office, and (c) the recording of each Deed of Trust with the appropriate Governmental Agencies, all action necessary to perfect the security interests so created by the Collateral Documents described in this sentence that can be perfected by possession or by such filing or recordation, will have been taken and completed (EXCEPT for the requirement that continuation statements periodically must be filed and/or recorded with respect to financing statements on file in favor of the Administrative Agent). Such security interests are of first priority EXCEPT as otherwise permitted under this Agreement.

4.20 HAZARDOUS MATERIALS.

(a) The ongoing operations of Borrower and its Subsidiaries, and to the best knowledge of Borrower, the ongoing operations of all current tenants, subtenants or other occupants of all or any part of the real property described on Schedule 4.8 (the "Real Property"), are conducted and comply in all respects with all Environmental Laws, except such non-compliance which would not (if enforced in accordance with applicable law) result in liability in excess of \$100,000 in the aggregate.

(b) Borrower and each of its Subsidiaries have obtained all licenses, permits, authorizations and registrations required under any Environmental Law ("ENVIRONMENTAL PERMITS") and necessary for their respective ordinary course operations except where the failure to obtain such licenses, permits, authorizations and registrations does not constitute a Material Adverse Effect, all such Environmental Permits are in good standing, and Borrower and each of its Subsidiaries are in compliance with all material terms and conditions of such Environmental Permits.

(c) Neither any of Borrower nor any Subsidiary of Borrower (nor to the best knowledge of Borrower no current tenants, or other occupants of all or part of the Real Property) or any of their respective present Property or operations, is subject to any existing, pending, or, to the best knowledge of Borrower, threatened or outstanding written order, suit, claim, proceeding, investigation, order, comment, injunction, writ, award, action or proceeding from or agreement with any Governmental Agency or third party, nor subject to any judicial or docketed administrative proceeding, respecting any Environmental Law, Environmental Claim or Hazardous Material.

(d) There are no Hazardous Materials or other conditions or circumstances existing with respect to any Property, or arising from operations prior to the Closing Date, of Borrower or any of its Subsidiaries that could reasonably be expected to give rise to Environmental Claims with a potential liability of Borrower and its Subsidiaries in excess of \$100,000 in the aggregate for any such condition, circumstance or Property. In addition, (i) neither Borrower nor any Subsidiary of Borrower has any underground storage tanks (x) that are not properly registered or permitted under applicable Environmental Laws, or (y) that are leaking or disposing of Hazardous Materials off-site, and (ii) Borrower and its Subsidiaries have notified all of their employees of the existence, if any, of any health hazard arising from the conditions of their employment and have met all notification requirements under Title III of CERCLA and all other Environmental Laws except where the failure to so notify does not constitute a Material Adverse Effect.

4.21 MATERIAL CONTRACTS. As of the Closing Date, except as disclosed on Schedule 4.21, neither Borrower nor any Subsidiary of Borrower is a party to any Material Contract.

4.22 YEAR 2000 COMPLIANCE. Landec and Borrower have conducted a comprehensive review and assessment of its systems and equipment applications and made appropriate inquiry of Borrower's key suppliers, vendors and customers with respect to the "year 2000 problem" (that is, the inability of computers, as well as embedded microchips in non-computing devices, to properly perform date-sensitive functions with respect to certain dates prior to and after December 31, 1999). Based on that review and inquiry, Borrower does not believe the year 2000 problem, including costs of remediation, will result in a material adverse change in Borrower's business condition (financial or otherwise), operations, properties or prospects, or ability to repay the credit. Borrower has developed appropriate contingency plans in respect to uninterrupted and unimpaired business operation in the event of a failure of its own or a third party's systems or equipment due to the year 2000 problem, including those of vendors, customers, and suppliers, as well as a general failure of or interruption in its communications and delivery infrastructure.

4.23 MERGER AND PURCHASE AGREEMENT. As of the Closing Date, the purchase of each of the Guarantors (other than Landec) and the other transactions contemplated by the Merger and Purchase Agreement to occur on the Closing Date have been consummated in conformity with the Merger and Purchase Agreement and in material compliance with all applicable laws.

4.24 MERGER AND PURCHASE AGREEMENT. As of the Closing Date, Landec has contributed all of its interests in the Intellipac Assets to Borrower.

ARTICLE 5
AFFIRMATIVE COVENANTS
(OTHER THAN INFORMATION AND
REPORTING REQUIREMENTS)

So long as any Loan remains unpaid, any Letter of Credit remains outstanding, any other Obligation remains unpaid, or any portion of the Commitments remains in force, Borrower shall, and shall cause each Subsidiary to, unless the Requisite Lenders otherwise consent in writing:

5.1 PAYMENT OF TAXES AND OTHER POTENTIAL LIENS. Pay, collect, withhold, remit and discharge promptly all taxes, assessments and governmental charges or levies imposed upon any of them, upon their respective Property or any part thereof, upon their respective income or profits or any part thereof or upon any right or interest of the Creditors under any Loan Document, EXCEPT that Borrower and its Subsidiaries shall not be required to pay or cause to be paid (a) any income or gross receipts tax or any other tax on or measured by income generally applicable to banks or their corporate parents or (b) any tax, assessment, charge or levy that is not yet past due, or is being contested in good faith by appropriate proceedings diligently pursued, so long as the relevant entity has established and maintains adequate reserves for the payment of the same and by reason of such nonpayment and contest no item or portion of Property of Borrower or its Subsidiaries is in jeopardy of being seized, levied upon or forfeited.

5.2 PRESERVATION OF EXISTENCE. Except as otherwise permitted pursuant to Section 6.3, preserve and maintain, or cause to be maintained and preserved, their respective existences in the jurisdictions of their formation and all authorizations, rights, franchises, privileges, consents, approvals, orders, licenses, permits, or registrations from any Governmental Agency that are necessary for the transaction of their respective businesses, and qualify and remain qualified to transact business in each jurisdiction in which such qualification is necessary in view of their respective businesses or the ownership or leasing of their respective properties.

5.3 MAINTENANCE OF PROPERTIES. Except as otherwise permitted pursuant to Section 6.2, maintain, preserve and protect, or cause to be maintained, preserved and protected, all of their respective depreciable properties in good order and condition, subject to wear and tear in the ordinary course of business, or damage or destruction from casualties which are fully covered by insurance (subject to customary deductibles and retentions), and not permit any waste of their respective properties, EXCEPT that the failure to maintain, preserve and protect a particular item of depreciable Property that is not of significant value, either intrinsically or to the operations of Borrower and its Subsidiaries, taken as a whole, shall not constitute a violation of this covenant.

5.4 MAINTENANCE OF INSURANCE. Maintain, or cause to be maintained, liability, casualty and other insurance (subject to customary deductibles and retentions) in such amounts and against such risks as are customary for similarly situated businesses, INCLUDING public liability insurance, business interruption insurance and all-risk casualty insurance with respect to all of Borrower's tangible personal property. Such insurance shall be maintained, in amounts and with responsible insurance companies reasonably acceptable to the Requisite Lenders. The Administrative Agent shall be named as additional insured and loss payee as its interests may appear, with respect to casualty insurance on all Collateral, and Borrower shall deliver to the Administrative Agent, not less frequently than once in each calendar year, (a) an "accord certificate" (or its equivalent) evidencing that insurance of the types required by this Section and the Collateral Documents is in force and (b)

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Lenders Loss Payable Endorsement on a form reasonably acceptable to the Administrative Agent evidencing that the Administrative Agent is an additional insured and loss payee with respect to all risk casualty insurance and other insurance requested by the Administrative Agent. Borrower agrees that for so long as the Commitments are in effect or any Obligation remains outstanding, it shall maintain the \$2,500,000 policy of key man life insurance on the life of Nick Tompkins referred to in Section 8.1(a), and that, in the event of any payment thereunder, the proceeds thereof may be applied by the Lenders to the principal amount of the Obligations in such manner as they direct (with a corresponding reduction in the Commitments).

5.5 COMPLIANCE WITH LAWS. Comply with, or cause to be complied with, all Requirements of Laws, noncompliance with which could constitute a Material Adverse Effect.

5.6 INSPECTION RIGHTS. At any time during regular business hours and as often as requested (but not so as to materially interfere with the business of Borrower or any of its Subsidiaries) and, if no Event of Default has occurred and is continuing, upon reasonable notice, permit the Administrative Agent or any Lender, or any authorized employee, agent or representative thereof, (a) to examine, audit and make copies and abstracts from the records and books of account of, (b) to visit, and inspect the Properties of, Borrower and its Subsidiaries, (c) to discuss the affairs, finances and accounts of Borrower and its Subsidiaries with any of their officers, key employees or accountants or with any relevant taxing authority (and Borrower shall promptly execute and deliver to the Administrative Agent any waivers of confidentiality required to permit such discussions), and (d) in the case of the Administrative Agent, to discuss the accounts of Borrower and its Subsidiaries with vendors upon the occurrence and during the continuance of an Event of Default, and, upon request, furnish promptly to the Administrative Agent true copies of all financial information made available to the senior management of Borrower or any of its Subsidiaries. Audits of Borrower's books and records and of the Collateral shall be conducted by the Administrative Agent or its employees, agents or representatives twice per year, or more frequently if reasonably requested by the Requisite Lenders. The Administrative Agent may, at any time, either orally or in writing, request confirmation from any account debtor, of the current amount and status of the accounts receivable upon which such account debtor is obligated to Borrower.

5.7 KEEPING OF RECORDS AND BOOKS OF ACCOUNT. Keep adequate records and books of account reflecting all financial transactions in conformity with GAAP, consistently applied, and in material conformity with all applicable requirements of any Governmental Agency having regulatory jurisdiction over Borrower or any of its Subsidiaries.

5.8 COMPLIANCE WITH AGREEMENTS. Promptly and fully comply with all Contractual Obligations under all material agreements, indentures, leases and/or instruments to which any one or more of them is a party, whether such material agreements, indentures, leases or instruments are with a Creditor or another Person, noncompliance with which could constitute a Material Adverse Effect, EXCEPT that Borrower and its Subsidiaries need not comply with Contractual Obligations (OTHER THAN the Loan Documents) under any such agreements, indentures, leases or instruments then being contested by any of them in good faith by appropriate proceedings diligently pursued.

5.9 USE OF PROCEEDS. Use the proceeds of the Loans during the term of this Agreement for solely for (i) partially financing the purchase of Old Apio by Borrower pursuant to the Merger and Purchase Agreement, (ii) refinancing of approximately \$10,750,000 of existing indebtedness of Old Apio and certain of its Affiliates, (iii) payment of expenses and costs associated

with the execution and delivery of the Loan Documents and the transactions contemplated thereby and (iv) for general corporate purposes and working capital needs.

5.10 HAZARDOUS MATERIALS LAWS.

(a) Conduct their operations and keep and maintain their Property in compliance with all Environmental Laws noncompliance with which could constitute a Material Adverse Effect.

(b) Notify the Administrative Agent in writing upon, but in no event later than 10 days after, becoming aware of (i) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against Borrower or any Subsidiary of Borrower or any of their respective Properties pursuant to any applicable Environmental Laws, (ii) all other Environmental Claims, and (iii) any environmental or similar condition on any real property adjoining or in the vicinity of the Property of Borrower or such Subsidiary that could reasonably be anticipated to cause such Property or any part thereof to be subject to any restrictions on the ownership, occupancy, transferability or use of such Property under any Environmental Laws.

(c) Upon the written request of the Administrative Agent or the Requisite Lenders, submit to the Administrative Agent with sufficient copies for each Lender, at Borrower's sole cost and expense, at reasonable intervals, a report providing an update of the status of any environmental, health or safety compliance, hazard or liability issue identified in any notice or report required pursuant to Section 5.10(b), that could, individually or in the aggregate, result in liability in excess of \$200,000.

5.11 FUTURE GUARANTORS AND COLLATERAL. In the event that Borrower hereafter forms or acquires any Subsidiary (other than Apio Cooling and any Subsidiary thereof), Borrower shall promptly and in any event within 10 Business Days (a) cause such Subsidiary to execute a guarantee of the obligations, a related security agreement (substantially in the form of the Subsidiary Guaranty and Guarantor Security Agreement), and joinders to the Patent Security Agreement and the Trademark Security Agreement and to deliver such Uniform Commercial Code financing statements as the Administrative Agent may reasonably require in connection with the Guarantor Security Agreement and (b) subject to Section 11.23, to execute a Pledge Agreement, substantially in the form of the Landec Pledge Agreement, and deliver the stock or other equity securities of such Subsidiary to the Administrative Agent in pledge. In the event that Borrower or any of its Subsidiaries hereafter obtains any United States trademarks or patents, they shall promptly, and in any event within 10 Business Days, execute the Trademark Security Agreement or the Patent Security Agreement, as applicable, with respect thereto.

5.12 FURTHER ASSURANCES.

(a) Borrower shall ensure that all written information, exhibits and reports furnished to any Creditor do not and will not contain any untrue statement of a material fact and do not and will not omit to state any material fact or any fact necessary to make the statements contained therein not misleading in light of the circumstances existing as of the date when made.

(b) Promptly upon request by the Administrative Agent or the Requisite Lenders, Borrower shall (and shall cause its Subsidiaries to) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register, any and all such further acts, deeds, conveyances, security agreements, mortgages, assignments, estoppel certificates, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments the Administrative Agent or such Lenders, as the case may be, may reasonably require from time to time in order (i) to carry out more effectively the purposes of this Agreement Or any other Loan Document, (ii) to subject to the Liens created by any of the Collateral Documents any of the Properties of Borrower and its Subsidiaries, rights or interests covered by any of the Collateral Documents, (iii) to perfect and maintain the validity, effectiveness and priority of any of the Collateral Documents and the Liens intended to be created thereby, and (iv) to better assure, convey, grant, assign, transfer, preserve, protect and confirm to the Creditors the rights granted or now or hereafter intended to be granted to the Lenders under any Loan Document or under any other document executed in connection therewith.

(c) Borrower shall diligently prosecute the re-registration of the United States federal trademark "Eat Smart." Within 10 Business Days following such re-registration, Borrower shall execute and deliver a Trademark Security Agreement substantially in the form of Exhibit J with respect thereto, granting a first priority Lien upon such trademark.

ARTICLE 6

NEGATIVE COVENANTS

So long as any Loan remains unpaid, any Letter of Credit remains outstanding, any other Obligation remains unpaid, or any portion of the Commitments remains in force, Borrower shall not, and shall not permit any of its Subsidiaries to, unless the Requisite Lenders otherwise consent in writing:

6.1 PREPAYMENT OF SUBORDINATED OBLIGATIONS AND EARN OUT PAYMENTS. (a) Prepay or repay any principal (INCLUDING sinking fund payments) in respect of any Subordinated Obligations or Earn Out Payments, or (b) pay any principal, interest or other amounts in respect of any Subordinated Obligations except in accordance with the definitive subordination agreement between the Administrative Agent and the holder of such Subordinated Obligations or Earn Out Payments, or (c) prepay any principal (INCLUDING sinking fund payments), interest or other amounts on any other Indebtedness of Borrower or any of its Subsidiaries prior to the date when due.

6.2 DISPOSITION OF PROPERTY. Make any Disposition of its Property, whether now owned or hereafter acquired, EXCEPT a Disposition by Borrower to a Wholly-Owned Subsidiary, or by a Subsidiary to Borrower or a Wholly-Owned Subsidiary.

6.3 MERGERS. Merge or consolidate with or into any Person, EXCEPT (a) mergers and consolidations of a Subsidiary of Borrower into Borrower or a Wholly-Owned Subsidiary or of Subsidiaries with each other and (b) a merger or consolidation of a Person into Borrower or with or into a Wholly-Owned Subsidiary of Borrower; PROVIDED that (i) Borrower or a Wholly-Owned Subsidiary is the surviving entity, (ii) no Change in Control results therefrom, (iii) no Default or Event of Default then exists or would result therefrom and (iv) Borrower and each of the Guarantors execute such amendments to the Loan Documents as the Lender may reasonably determine are appropriate as a result of such merger.

6.4 ACQUISITIONS AND INVESTMENTS. Make any Acquisition or make or suffer to exist any Investments other than:

(a) Investments existing as of the Closing Date and described on Schedule 6.4; and

(b) Investments in Cash Equivalents;

(c) Investments consisting of advances to officers, directors and employees of Borrower and its Subsidiaries for travel, entertainment, relocation, anticipated bonus and analogous ordinary business purposes;

(d) Investments under the Approved Swap Agreement; and

(e) Investments in Grower Notes and Grower Advances and investments in crops made in the ordinary course of business.

6.5 DISTRIBUTIONS AND OTHER RESTRICTED PAYMENTS. Make any Distribution or other Restricted Payment, whether from capital, income or otherwise, and whether in cash or other Property, EXCEPT:

(a) a one time Restricted Payment of an amount not in excess of \$725,000 made by Borrower on the Closing Date to Landec;

(b) Distributions by any Subsidiary of Borrower to Borrower or to any Wholly-Owned Subsidiary of Borrower;

(c) Management Fee Distributions, Quarterly Tax Distributions and Tax Settlements, in each case to the extent permitted by Section 6.20; and

(d) Earn Out Payments made in accordance with the Subordination Agreement and when no Default or Event of Default exists.

6.6 ERISA.

(a) At any time, maintain, or be or become obligated to contribute on behalf of its employees to, any "employee pension benefit plan" that is subject to Title IV of ERISA other than those Pension Plans disclosed in Schedule 4.14, and Multiemployer Plans to which Borrower or any Subsidiary of Borrower becomes obligated to contribute pursuant to the terms of a collective bargaining agreement.

(b) At any time, permit any Pension Plan disclosed in Schedule 4.14, in such case if to do so would constitute a Material Adverse Effect, to:

(i) engage in any non-exempt "prohibited transaction", as such term is defined in Section 4975 of the Code;

(ii) incur any material "accumulated funding deficiency", as that term is defined in Section 302 of ERISA; or

(iii) suffer a Termination Event to occur which may reasonably be expected to result in liability of Borrower or any ERISA Affiliate thereof to the Pension Plan or to the PBGC or the imposition of a Lien on the Property of Borrower or any ERISA Affiliate thereof pursuant to Section 4068 of ERISA.

(c) Fail, upon a Responsible Official of Borrower becoming aware thereof, promptly to notify the Administrative Agent of the occurrence of any "reportable event" (as defined in Section 4043 of ERISA) (other than a "reportable event" that is not subject to the provision of 30-day notice to the PBGC) or of any non-exempt "prohibited transaction" (as defined in Section 4975 of the Code) with respect to any Pension Plan described in Schedule 4.14 or any trust created thereunder.

(d) At any time, permit any Pension Plan described in Schedule 4.14 to fail to comply with ERISA or other applicable Laws in any respect that could result in a Material Adverse Effect.

6.7 CHANGE IN NAME; NATURE OF BUSINESS. Change the legal name of Borrower or of any Subsidiary of Borrower or make any material change in the nature of the business of Borrower and its Subsidiaries, taken as a whole, as at present conducted.

6.8 INDEBTEDNESS AND CONTINGENT OBLIGATIONS. Create, incur, assume or suffer to exist any Indebtedness or Contingent Obligation, EXCEPT:

(a) Existing Indebtedness and Contingent Obligations disclosed on Schedule 6.8;

(b) Indebtedness and Contingent Obligations in favor of the Creditors under the Loan Documents;

(c) Indebtedness and Contingent Obligations arising from the endorsement of instruments for collection in the ordinary course of Borrower's business;

(d) Indebtedness and Contingent Obligations consisting of the Approved Swap Agreement;

(e) purchase money Indebtedness and obligations in connection with Capital Leases PROVIDED that the aggregate amount of such Indebtedness and Capital Leases incurred in any Fiscal Year does not exceed \$500,000;

(f) Subordinated Obligations;

(g) deferred obligations under the Management Agreement and the Tax Agreement (subject to the subordination provisions contained in the Landec Guaranty);

(h) Indebtedness and Contingent Obligations under initial or successive refinancings of any Indebtedness permitted under clauses (a) and (f) above, provided that the principal amount of any such refinancing does not exceed the principal amount of the Indebtedness being refinanced and the material terms and provisions of any such refinancing (including maturity, redemption, prepayment, default and subordination provisions) are no less favorable to the Lenders than the Indebtedness being refinanced; and

(i) Indebtedness of Borrower with respect to the Secondary Partner Deferred Payments referred to in Section 2.6 of the Merger and Purchase Agreement.

6.9 LIENS; NEGATIVE PLEDGES; SALES AND LEASEBACKS. Create, incur, assume or suffer to exist any Lien or Right of Others of any nature upon or with respect to any of its Property, whether now owned or hereafter acquired; or suffer to exist any Negative Pledge with respect to any of its Property; or engage in any sale and leaseback transaction with respect to any of its Property; EXCEPT:

(a) Permitted Encumbrances;

(b) Liens and Negative Pledges in favor of the Creditors under the Loan Documents;

(c) Existing Liens disclosed in Schedule 6.9 and permitted refinancings thereof; and

(d) purchase money Liens securing Indebtedness permitted under Section 6.8(d).

6.10 TRANSACTIONS WITH AFFILIATES. Enter into any transaction of any kind with any officer or Affiliate of Borrower, or any Person that owns or holds 5% or more of the outstanding common stock of Borrower, OTHER THAN transactions (INCLUDING real property lease transactions) on terms at least as favorable to Borrower or its Subsidiaries as would be the case in an arm's-length transaction between unrelated parties of equal bargaining power.

6.11 NET WORTH. Permit Net Worth, as of the last day of any Fiscal Quarter beginning April 30, 2000, to be less than the sum of (a) \$19,125,000 PLUS (b) 75% of cumulative Net Income for each Fiscal Quarter which has then ended since the Closing Date (including the stub financial period beginning on the Closing Date and ending on January 31, 2000) and without deduction for any net loss during any such Fiscal Quarter), PLUS (c) 100% of the Net Cash Proceeds to Borrower of the issuance of any equity securities by Borrower (or any holding company for any capital stock of Borrower) since the Closing Date.

6.12 LEVERAGE RATIO. Beginning October 31, 2000, permit the Leverage Ratio as of the last day of any Fiscal Quarter described in the matrix set forth below, to be greater than the ratio set forth opposite that Fiscal Quarter:

Fiscal Quarters Ending -----	Maximum Ratio -----
October 31, 2000 through and including July 31, 2001	2.75:1.00
October 31, 2001 through and including July 31, 2002	2.00:1.00
Later Fiscal Quarters	1.50:1.00.

6.13 MINIMUM EBITDA. Permit EBITDA, for any period set forth below in this Section to be less than the amount set forth opposite that period:

Period -----	Minimum EBITDA -----
Closing Date through January 31, 2000	\$630,000
Closing Date through April 30, 2000	\$1,150,000
Closing Date through July 31, 2000	\$4,500,000.

6.14 MINIMUM EBITDA PRIOR TO FARMING LOSSES. Permit EBITDA PLUS farming losses, for any period set forth below in this Section to be less than the amount set forth opposite that period:

Period -----	Minimum EBITDA -----
Closing Date through January 31, 2000	\$1,100,000
Closing Date through April 30, 2000	\$2,300,000
Closing Date through July 31, 2000	\$6,000,000.

6.15 FIXED CHARGE COVERAGE RATIO. Permit the Fixed Charge Coverage Ratio as of the last day of the Fiscal Quarter ending July 31, 2000 or any subsequent Fiscal Quarter to be less than 1.25:1.00.

6.16 CURRENT RATIO. Permit the ratio of (a) the consolidated current assets of Borrower and its Subsidiaries as of the last day of any Fiscal Quarter, to (b) the consolidated current liabilities of Borrower and its Subsidiaries as of the same date (excluding accrual accounts for Earn Out Payments, Tax Agreement Amounts and Management Fee Distributions, but in any event including the Revolving Usage) in each case determined in accordance with GAAP, to be less than 0.90:1.00.

6.17 PROFITABILITY. Permit Net Income PLUS accrued but unpaid Management Fee Distributions to be less than zero for any two consecutive Fiscal Quarters, (beginning with the two Fiscal Quarters ending April 30, 2000 and July 31, 2000).

6.18 MAXIMUM CAPITAL EXPENDITURES. Permit Capital Expenditures during any Fiscal Year, to exceed the amount set forth below opposite that Fiscal Year:

Fiscal Year Ending -----	Maximum Amount -----
October 31, 2000	\$3,300,000
October 31, 2001	\$3,300,000
October 31, 2002 and subsequent Fiscal Years	\$1,800,000;

PROVIDED that (a) not more than \$500,000 in Capital Expenditures not made during the Fiscal Year ending October 31, 2000 may be expended during the Fiscal Year ending October 31, 2001, and (b) not more than \$500,000 in Capital Expenditures not made during the Fiscal Year ending October 31, 2001 may be expended during the Fiscal Year ending October 31, 2002.

6.19 MAXIMUM RESEARCH AND DEVELOPMENT EXPENDITURES. Permit research and development expenditures during any Fiscal Year, to exceed \$1,500,000.

6.20 LANDEC DISTRIBUTIONS. Make any Management Fee Distributions, Quarterly Tax Distributions or Tax Settlements, provided that Borrower may make such payments in accordance with the terms of the Management Agreement and the Tax Agreement if all of the following conditions are satisfied:

(a) Quarterly Tax Distributions and Tax Settlements made to Landec made when no Default or Event of Default exists or would result therefrom;

(b) In the case of Management Fee Distributions and Tax Gross-Up's, (i) Borrower shall have delivered a calculation of Excess Cash Flow for the Fiscal Year then most recently ended, and shall have previously made all pre-payments of the Term Loans

required under Section 2.5(d) on the basis of Excess Cash Flow for that Fiscal Year, (ii) not more than one month prior to the date of the making thereof, the Administrative Agent shall have received the Borrower's audited financial statements in accordance with Section 7.1(a), (iii), giving effect to the making thereof, (A) the sum of the Borrower's current cash balances PLUS Revolving Availability is at least \$2,000,000, (B) Borrower shall be in pro forma compliance with the covenants set forth in Section 6.11 through 6.19, inclusive, and shall have delivered a certificate to that effect setting forth calculations thereof reasonably acceptable to the Administrative Agent, and (C) no Default or Event of Default shall exist or result therefrom;

(c) If Borrower is required to make prepayments of the Term Loans on the basis of Excess Cash Flow for that Fiscal Year as set forth in Section 2.7(d), the aggregate amount of the sum of (i) Management Fee Distributions, (ii) Aggregate Landec Tax Distributions and (iii) Landec Tax Gross-Up's made with respect to any Fiscal Year shall not exceed 50% of Excess Cash Flow for that Fiscal Year;

(d) Without limitation as to (c), the aggregate amount of the Adjusted Quarterly Tax Distributions made during any Fiscal Year shall not exceed the related Annual Tax Amount; and

(e) Without limitation as to (c), the amount of the Management Fee Distributions made during any Fiscal Year shall not exceed \$1,500,000 (plus the amount of any Management Fee Distributions deferred during any prior Fiscal Year).

Management Fee Distributions and Adjusted Quarterly Tax Distributions which accrue during any Fiscal Year but are not paid may continue to accrue and be paid in subsequent Fiscal Years to the extent permitted by the foregoing provisions of this Section. Borrower shall cause Landec to promptly and in any event within 10 days following February 15th of each year to pay to Borrower any Tax Settlement due to Borrower with respect to that Fiscal Year.

6.21 EARN-OUT PAYMENTS. Make any Earn Out Payments unless all of the following conditions are satisfied:

(i) Borrower shall have delivered a calculation of Excess Cash Flow for the Fiscal Year then most recently ended, and shall have previously made all pre-payments of the Term Loans required under Section 2.5(d) on the basis of Excess Cash Flow for that Fiscal Year;

(ii) not more than one month prior to the date of the making thereof, the Administrative Agent shall have received the Borrower's audited financial statements in accordance with Section 7.1(a); and

(iii) giving effect to the making thereof, (A) the sum of the Borrower's current cash balances PLUS Revolving Availability is at least \$2,000,000, (B) Borrower shall be in pro forma compliance with the covenants set forth in Section 6.11 through 6.19, inclusive, and shall have delivered a certificate to that effect setting forth calculations thereof reasonably acceptable to the Administrative Agent, and (C) no Default or Event of Default shall exist or result therefrom.

6.22 INTEREST RATE PROTECTION. Fail within 60 days of the Closing Date to enter into Swap Agreements providing interest rate protection for an amount of the Obligations equal to 100% of the Term Loan for a minimum period of three years with terms acceptable to the Administrative Agent.

6.23 CHANGE OF LOCATION. Change the place of their respective chief executive offices or principal places of business unless the Administrative Agent has been notified in writing at least 30 days prior to such change.

6.24 USE OF HAZARDOUS SUBSTANCES. Borrower and its Subsidiaries will not use, generate, manufacture, treat, store, allow to remain or dispose of on, under, or about their real property or transport to or from such real property any Hazardous Substances such that it could reasonably be expected to result in a Material Adverse Effect without prior written consent from the Administrative Agent.

6.25 CONSOLIDATED TAX RETURNS. Fail to cause Landec to file consolidated federal and state income tax returns with Borrower and its Subsidiaries.

ARTICLE 7

INFORMATION AND REPORTING REQUIREMENTS

7.1 FINANCIAL AND BUSINESS INFORMATION. So long as any Loan remains unpaid, any Letter of Credit remains outstanding, any other Obligation remains unpaid, or any portion of the Commitments remain in force, Borrower shall, unless the Requisite Lenders otherwise consent in writing, deliver to the Administrative Agent, at its sole expense:

(a) As soon as practicable, and in any event within 45 days after the end of each calendar month beginning with the calendar month ending on or about December 31, 1999 (including the last calendar month in each year), (i) the consolidated balance sheet of Borrower and its Subsidiaries as at the end of such calendar month, (ii) a consolidated statement of income and statement of cash flows of Borrower and its Subsidiaries for that calendar month and for the portion of the Fiscal Year then ended, (iii) a statement of revenues by division of Borrower, and (iv) a comparison of such financial statements with the Projections, and, beginning with the month ending on or about December 31, 2000, with the financial results as of the end of the same fiscal period (where such data exists) during the immediately preceding Fiscal Year, all in reasonable detail. Such financial statements shall be certified by a Senior Officer of Borrower as fairly presenting the financial condition, results of operations and changes in financial position of Borrower and its Subsidiaries, and shall be prepared and presented in accordance with GAAP (other than any requirement for footnote disclosures), consistently applied, as at such date and for such periods, subject only to normal year-end accruals and audit adjustments. For the last calendar month in each of the Fiscal Quarters ending January 31, 2000, April 30, 2000, July 31, 2000 and October 31, 2000, such financial statements shall have been reviewed by Ernst & Young or other accountants reasonably acceptable to the Administrative Agent;

(b) As soon as practicable, and in any event within 90 days after the end of each Fiscal Year, (i) the audited consolidated balance sheet and statement of income and cash flows of Borrower and its Subsidiaries prepared and presented in accordance with GAAP, consistently applied, and accompanied by (A) a report and opinion of Ernst & Young or another independent public accountants of recognized standing selected by Borrower and reasonably satisfactory to the Requisite Lenders, which report and opinion shall be prepared in accordance with generally accepted auditing standards as at such date, and shall not be subject to any qualifications or exceptions as to the scope of the audit nor to any other qualification or exception which the Requisite Lenders determine is unacceptable and (B) a management letter from Borrower's auditors, and (ii) an unaudited statement of revenues by division, and (iii) a calculation of Excess Cash Flow for that Fiscal Year;

(c) As soon as practicable, and in any event within 120 days after the end of each fiscal year of Landec, (i) the audited consolidated balance sheet and statement of income and cash flows of Landec and its Subsidiaries prepared and presented in accordance with GAAP, consistently applied, and accompanied by a report and opinion of independent public accountants of nationally recognized standing selected by Landec and reasonably satisfactory to the Requisite Lenders, which report and opinion shall be prepared in accordance with generally accepted auditing standards as at such date, and shall not be subject to any qualifications or exceptions as to the scope of the audit nor to any other qualification or exception which the Requisite Lenders determine is unacceptable, and which shall be

accompanied by any management letter prepared by such accountants, and (ii) the unaudited company-prepared consolidating balance sheets and statements of income and cash flows for Landec and its Subsidiaries;

(d) Not later than 45 days following the Closing Date, a company prepared opening balance sheet for Borrower and its Subsidiaries as of the Closing Date, which balance sheet shall be based upon a physical inventory count conducted by Borrower and its Subsidiaries and observed by Ernst & Young on the Closing Date, and otherwise in form and substance acceptable to the Administrative Agent;

(e) Not later than 30 days following the end of each fiscal month of Borrower, a monthly Borrowing Base Certificate as of the last Business Day of such fiscal month, together with an accounts receivable aging report, accounts payable aging report, inventory listings, reports detailing grower advances and grower payables, and such other collateral reports as the Administrative Agent may reasonably require, all in form and substance reasonably acceptable to the Administrative Agent;

(f) As soon as practicable, and in any event no later than the commencement of each Fiscal Year, a business plan and projections by calendar month for that Fiscal Year and by Fiscal Year for each of the following Fiscal Years through the Term Maturity Date, all in form and detail reasonably satisfactory to the Administrative Agent;

(g) Promptly and in any event within five Business Days following receipt thereof, copies of any detailed audit reports, management letters or recommendations submitted to Borrower or any of its Subsidiaries by independent accountants in connection with the accounts or books of Borrower or any of its Subsidiaries, or any audit of any of them;

(h) Promptly after the same are available and in any event within 90 days following the end of each Fiscal Year (or within 30 days following their filing with the Commission), copies of each annual report, proxy or financial statement or other report or communication sent to the shareholders of Landec or Borrower, and copies of all annual, regular, periodic and special reports and registration statements which Landec or Borrower may file or be required to file under Sections 13 or 15(d) of the Securities Exchange Act of 1934;

(i) Promptly after request by the Requisite Lenders submitted through the Administrative Agent, copies of any other specific report or other document that was filed by either Borrower or any Subsidiary of Borrower with any Governmental Agency;

(j) Promptly upon a Responsible Official of Borrower becoming aware, and in any event within ten Business Days after becoming aware, of the occurrence of any (i) "reportable event" (as such term is defined in Section 4043 of ERISA) (other than a "reportable event" that is not subject to the provision of 30-day notice to the PBGC) or (ii) of a non-exempt "prohibited transaction" (as such term is defined in Section 4975 of the Code) in connection with any Pension Plan or any trust created thereunder, written notice specifying the nature thereof and specifying what action Borrower or any of its Subsidiaries is taking or proposes to take with respect thereto, and, when known, any action taken by the Internal Revenue Service with respect thereto;

(k) As soon as practicable, and in any event within two Business Days after a Responsible Official of Borrower becomes aware of the existence of any condition or event which constitutes a Default, written notice specifying the nature and period of existence thereof and specifying what action Borrower and its Subsidiaries are taking or propose to take with respect thereto;

(l) Promptly upon a Responsible Official of Borrower becoming aware that (i) any Person commenced a legal proceeding with respect to a claim against Borrower or any of its Subsidiaries that is stated to be \$250,000 or more in excess of the amount thereof that is believed by such Responsible Official to be fully covered by insurance (subject to customary deductibles and retentions), (ii) any creditor or lessor under a written credit agreement or material lease has asserted a default thereunder on the part of Borrower or any of its Subsidiaries, and, in the case of a lease, such default has not been cured or rescinded within any applicable cure period under the lease or applicable Laws, (iii) any Person commenced a legal proceeding with respect to a claim against Borrower or any of its Subsidiaries under a contract that is not a credit agreement or material lease stated to be in excess of \$250,000, or (iv) any other event or circumstance occurs or exists that would constitute a Material Adverse Effect, in each case a written notice describing the pertinent facts relating thereto and what action Borrower and its Subsidiaries are taking or propose to take with respect thereto;

(m) Not less frequently than once in each calendar quarter, provide notice to the Administrative Agent of each new trademark issued to Borrower or any Subsidiary of Borrower together with any amendments to the Trademark Security Agreement as are necessary to make such new trademarks subject to the Lien thereof;

(n) Not less frequently than annually, and in any event promptly following the request of the Administrative Agent; a master list of the customers of Borrower and its Subsidiaries including addresses and telephone numbers and such other data as the Administrative Agent may reasonably request in relation thereto;

(o) Such other data and information as from time to time may be reasonably requested by the Administrative Agent or any Lender.

7.2 COMPLIANCE CERTIFICATES. So long as any Loan remains unpaid, any Letter of Credit remains outstanding, any other Obligation remains unpaid, or any portion of the Commitments remains outstanding, Borrower shall deliver to the Administrative Agent, concurrently with the delivery of its monthly financial statements for the last month in each Fiscal Quarter in accordance with Section 7.1 (a), a Compliance Certificate signed by a Senior Officer of Borrower setting forth Borrower's calculation of its compliance with the covenants set forth in Sections 6.11 through 6.19 and the outstanding balances of any Indebtedness permitted under Section 6.8.

ARTICLE 8

CONDITIONS

8.1 CONDITIONS TO THE INITIAL LOANS AND LETTERS OF CREDIT. The obligation of each Lender to make the initial Advance to be made by it, and the obligation of the Issuing Lender to issue the initial Letters of Credit, is subject to the following conditions precedent, each of which shall be satisfied prior to the making of the initial Advances (unless all of the Lenders, in their sole and absolute discretion, shall agree otherwise):

(a) The Administrative Agent shall have received all of the following, each of which shall be originals unless otherwise specified or, where applicable, the context otherwise requires, each properly executed by a Responsible Official of each party thereto, each dated as of the Closing Date and each in form and substance satisfactory to the Administrative Agent and its legal counsel (unless otherwise specified or, in the case of the date of any of the following, unless the Administrative Agent otherwise agrees or directs):

- (1) executed counterparts of this Agreement;
- (2) a completed Borrowing Base Certificate prepared by the Administrative Agent based upon an on site inspection conducted by the Administrative Agent and executed by the Borrower;
- (3) executed Revolving Notes for each Lender;
- (4) executed A Term Notes for each Lender;
- (5) the Landec Guaranty and the Landec Keep Well executed by Landec;
- (6) the Subsidiary Guaranty, executed by each party thereto;
- (7) the Pacific West Guaranty;
- (8) the Borrower Security Agreement executed by Borrower, together with sufficient copies of financing statements on Form UCC-1 for filing in every United States jurisdiction in which Borrower owns Property;
- (9) the Guarantor Security Agreement executed by each Subsidiary Guarantor, together with sufficient copies of financing statements and fixture financing statements on Form UCC-1 for filing in every United States jurisdiction in which the Guarantors own Property;
- (10) the Pacific West Security Agreement;
- (11) financing statements on Form UCC-1 executed by Pacific West;

(12) the Landec Pledge Agreement and the Borrower Pledge Agreement, together with certificates representing 100% of the capital stock or other equity ownership interests of Borrower and its Subsidiaries, together with related stock assignments;

(13) Deeds of Trust executed by Borrower and Pacific West with respect to their respective interests in the 19.3 acre cold storage facility in Reedly, California and the value added shed in Guadalupe, California;

(14) a Memorandum of Lease and Landlord Consent executed by Apio Cooling with respect to the leasehold of Borrower located in Guadalupe, California;

(15) ALTA title insurance policies insuring the Deeds of Trust in an amount (subject to tie in endorsements) of not less than \$7,250,000 issued by Chicago Title Insurance Company, with such endorsements to coverage as may be requested by the Administrative Agent;

(16) to the extent that either Borrower or any of its Subsidiaries then owns any registered federal patents, the Patent Security Agreement executed by all Parties thereto;

(17) the Subordination Agreement and the subordination agreement to be executed by Central Coast Federal Land Bank;

(18) with respect to Borrower, the Guarantors and each of their respective Subsidiaries, such documentation as the Administrative Agent may reasonably require to establish the due organization, valid existence and good standing of each of Borrower, the Guarantors, and each such Subsidiary, its qualification to engage in business in each jurisdiction in which it is engaged in business or required to be so qualified, its authority to execute, deliver and perform any Loan Documents to which it is a Party, and the identity, authority and capacity of each Responsible Official thereof authorized to act on its behalf, INCLUDING, without limitation, certified copies of articles of incorporation and amendments thereto, bylaws and amendments thereto, certificates of good standing and/or qualification to engage in business, tax clearance certificates, certificates of corporate resolutions, incumbency certificates, Certificates of Responsible Officials, and the like;

(19) a Certificate of Borrower and Landec certifying that (i) the conditions specified in Sections 8.1(d) and 8.1(e), have been satisfied and (ii) attaching a copy of the Merger and Purchase Agreement, the License Agreement, the Management Agreement and the Tax Agreement and all material instruments, documents and agreements executed in connection therewith, together with evidence satisfactory to the Administrative Agent that the transactions contemplated by the Merger and Purchase Agreement have occurred pursuant to the Merger and Purchase Agreement and in material compliance with all applicable laws, including without limitation:

(i) the assets of the Intellipac division of Landec (having a net value of approximately \$2,028,000 and in any event including Intellipac Assets) shall have been contributed to Borrower by Landec;

(ii) Nicholas Tompkins and Timothy Murphy and Borrower shall have executed the Employment Agreements referred to in the Merger and Purchase Agreement;

(iii) the Merger and the merger of Apio Produce Sales with Borrower shall have occurred or shall substantially concurrently occur;

(iv) the Existing Apio Debt shall have been repaid in the approximate amount of \$10,750,000 or shall be repaid out of the proceeds of the initial Loans;

(v) Borrower and Landec shall have received a fairness opinion as to the transactions contemplated by the Merger and Purchase Agreement from Lehman Brothers;

(vi) Ernst & Young shall have observed a physical inventory count at the locations of Borrower and its Subsidiaries as of the Closing Date;

(20) evidence satisfactory to the Administrative Agent that Borrower has received \$9,000,000 in new cash equity contributions from Landec;

(21) evidence satisfactory to the Administrative Agent that the Liens and security interest of the Administrative Agent in the Collateral have been perfected and are of first priority (EXCEPT for Permitted Encumbrances and Liens referred to on Schedule 6.8);

(22) evidence of the insurance policies required by Section 5.4, together with such endorsements as are acceptable to the Administrative Agent to show the Administrative Agent as loss payee thereunder;

(23) a Request for Loan and, if applicable, a Request for Letter of Credit;

(24) the written legal opinions of (A) Orrick, Herrington & Sutcliffe, LLP regarding the due execution, delivery and performance of the Loan Documents, their valid binding and enforceable nature, the absence of conflicts between the Loan Documents and applicable law, the perfection of the Liens granted by the Collateral Documents, the consummation of the merger, and such other matters as the Administrative Agent may require, and (B) of Rynn & Janowsky as to certain agricultural law matters;

(25) a collateral assignment of a key man policy of life insurance owned by Borrower on the life of Nick Tompkins which is in form and substance acceptable to the Administrative Agent; and

(26) such other assurances, certificates, documents, consents or opinions, consistent with the foregoing, as the Administrative Agent or any Lender reasonably may require;

(b) The fees payable pursuant to Sections 3.2 and 3.3 and any amounts payable pursuant to clause (a) of Section 11.3 shall be paid concurrently;

(c) The Lenders shall have reviewed and found satisfactory each of the following:

(1) a copy of the Projections certified by a Responsible Officer of Borrower;

(2) the terms and conditions of any real property leases and Material Contracts to which Borrower is party;

(3) the corporate and management structure of Borrower, including any employment contracts with senior management of Borrower and contracts with any Affiliates;

(4) the audited consolidated and consolidating financial statements of Borrower and its Subsidiaries for the Fiscal Year ended December 31, 1998, together with any management letter from their auditors;

(5) the internally-prepared financial statements of Borrower and its Subsidiaries for the nine-month fiscal period ended September 30, 1999; and

(d) the representations and warranties of Borrower contained in Article 4 shall be true and correct; and

(e) Borrower shall be in compliance with all the terms and provisions of the Loan Documents, no Default or Event of Default shall have occurred and be continuing, and no event shall have occurred since December 31, 1998 which constitutes a Material Adverse Effect.

8.2 ANY INCREASING LOAN. The obligation of each Lender to make any Advance which would increase the outstanding principal amount of the Loans, and the obligation of the Issuing Lenders to issue any Letter of Credit, is subject to the following conditions precedent, each of which shall be satisfied prior to the making of such an Advance or the issuance of a Letter of Credit:

(a) EXCEPT as disclosed by Borrower and approved in writing by the Requisite Lenders, the representations and warranties contained in Article 4 (OTHER THAN Sections 4.6 (first sentence), 4.11 and 4.18) shall be true and correct on and as of the date of the Loan or Letter of Credit as though made on that date (except such representations and

warranties expressly made as of a specified date, which shall be true and correct as of such specified date);

(b) other than matters described in Schedule 4.11, or matters not required as of the Closing Date to be therein described, or matters disclosed by Borrower and approved in writing by the Requisite Lenders, there shall not be then pending or threatened in writing any action, suit, proceeding or investigation against or affecting Borrower or any of its Subsidiaries or any Property of any of them before any Governmental Agency that constitutes a Material Adverse Effect;

(c) the Administrative Agent shall have received a timely Request for Loan in compliance with Article 2 in compliance with Article 2, or the Issuing Lender and the Administrative Agent shall have timely received a Request for Letter of Credit in compliance with Article 2, as applicable.

(d) the Administrative Agent shall have received, in form and substance reasonably satisfactory to the Administrative Agent, such other assurances, certificates, documents or consents related to and consistent with the foregoing as the Administrative Agent or the Requisite Lenders may reasonably require.

ARTICLE 9

EVENTS OF DEFAULT AND REMEDIES

9.1 EVENTS OF DEFAULT. The existence or occurrence of any one or more of the following events shall constitute an Event of Default:

- (a) Borrower fails to pay any principal or interest in respect of the Loans or Letters of Credit hereunder when due; or
- (b) Borrower fails to pay any commitment fee, letter of credit fee, expense or other amount in respect of the Loans or Letters of Credit hereunder, or any portion thereof, within five days of the date when due; or
- (c) Any failure to comply with any covenant in Article 6 or Article 7; or
- (d) Borrower or any other Party fails to perform or observe any other covenant or agreement contained herein on its part to be performed or observed and fails to cure such Default within twenty days following the first occurrence thereof; or
- (e) Borrower or any other Party fails to perform or observe any other covenant or agreement contained in any Loan Document OTHER THAN this Agreement, giving effect to any grace period and/or notice requirements set forth therein; or
- (f) Any representation or warranty made in any Loan Document proves to have been incorrect when made or reaffirmed; or
- (g) Landec, Borrower or any of its Subsidiaries (i) fails to pay the principal, or any principal installment, of any present or future indebtedness for borrowed money or Capital Lease of \$250,000 or more, or any guaranty of present or future Indebtedness for borrowed money or Capital Lease of \$250,000 or more, on its part to be paid, when due (or within any stated grace period), whether at the stated maturity, upon acceleration, by reason of required prepayment or otherwise or (ii) fails to perform or observe any other term, covenant or agreement on its part to be performed or observed, or suffers any event to occur, in connection with any present or future indebtedness for borrowed money or Capital Lease of \$250,000 or more, or of any guaranty of present or future indebtedness for borrowed money or Capital Lease of \$250,000 or more, if as a result of such failure or sufferance any holder or holders thereof (or an agent or trustee on its or their behalf) has the right to declare such Indebtedness due before the date on which it otherwise would become due; or
- (h) Any event occurs which gives the holder or holders of any Subordinated Obligation (or an agent or trustee on its or their behalf) the right to declare such Indebtedness due before the date on which it otherwise would become due, or the right to require the issuer thereof to redeem or purchase, or offer to redeem or purchase, all or any portion of any Subordinated Obligation; or
- (i) This Agreement or any other Loan Document at any time after its execution and delivery and for any reason, other than the agreement of the Lenders or satisfaction in full of all the Obligations, ceases to be in full force and effect or is declared by a

court of competent jurisdiction to be null and void, invalid or unenforceable in any respect which, in any such event in the reasonable opinion of the Requisite Lenders, is materially adverse to the interests of the Lenders; or any Party thereto denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind same (OTHER THAN in accordance with the terms and conditions of the Loan Documents); or

(j) Any judgments or arbitration awards are entered against Landec Borrower or any of its Subsidiaries, or Borrower or any of its Subsidiaries enters into any settlement agreements with respect to any litigation or arbitration, in an aggregate amount of \$500,000 or more in excess of any insurance coverage; or

(k) Landec, Borrower or any of its Subsidiaries institutes or consents to any proceeding under a Debtor Relief Law relating to it or to all or any part of its Property, or is unable or admits in writing its inability to pay its debts as they mature, or makes a general assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any part of its Property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of that Person and the appointment continues undischarged or unstayed for sixty calendar days; or any proceeding under a Debtor Relief Law relating to any such Person or to all or any part of its Property is instituted without the consent of that Person and continues undismissed or unstayed for sixty calendar days; or any judgment, writ, warrant of attachment or execution or similar process is issued or levied against all or any material part of the Property of any such Person and is not released, vacated or fully bonded within sixty calendar days after its issue or levy; or

(l) Any Lien on any Collateral created by any Loan Document, at any time after the execution and delivery of that Loan Document and for any reason ceases to be perfected or of less than first priority (subject to any Lien permitted by this Agreement); or

(m) The opening balance sheet of Borrower referred to in Section 7.1 (d) differs from the pro forma opening balance sheet heretofore delivered to the Administrative Agent in any manner which, when all such differences are taken together, is material and adverse;

(n) The occurrence of a Termination Event with respect to any Pension Plan if the aggregate liability of and its ERISA Affiliates under ERISA as a result thereof exceeds \$250,000; or the complete or partial withdrawal by Borrower or any of its Subsidiaries or any of their ERISA Affiliates from any Multiemployer Plan if the aggregate liability of Borrower and its ERISA affiliates as a result thereof exceeds \$250,000; or

(o) The occurrence of an Event of Default (as such term is or may hereafter be specifically defined in any other Loan Document) under any other Loan Document; or

(p) Any judgment, order or ruling, whether or not final, is made by a court of competent jurisdiction that payment of principal or interest or both shall be made to the holder of any Subordinated Obligation which would not be permitted by Section 6.1 or that any Subordinated Obligation is not subordinated in accordance with its terms to the Obligations; or

(q) The results of any audit of the Collateral by or on behalf of the Creditors shall establish in the opinion of the Requisite Lenders, material issues concerning (a) the reliability of the accounting practices or financial information provided, employed or generated by Borrower in connection with the Collateral, or (b) the value of the Collateral in any respect that is material, individually or in the aggregate and, in either such case, Borrower shall not have cured such Default to the reasonable satisfaction of the Requisite Lenders within twenty days after notice from the Administrative Agent; or

(r) The Administrative Agent determines reasonably and in good faith that a circumstance or event has occurred that constitutes a Material Adverse Effect; or

(s) The occurrence of a Change in Control.

9.2 REMEDIES UPON EVENT OF DEFAULT. Without limiting any other rights or remedies of the Creditors provided for elsewhere in this Agreement or the Loan Documents, or by applicable Law, or in equity, or otherwise:

(a) Upon the occurrence of any Event of Default other than an Event of Default described in Section 9.1(k):

(1) the Commitments to make Advances and to issue Letters of Credit and all other obligations of the Creditors and all rights of Borrower and any other Party under the Loan Documents shall terminate without notice to or demand upon Borrower, which are expressly waived by Borrower, EXCEPT that the Requisite Lenders (or, to the extent required by Section 11.2, all of the Lenders) may waive the Event of Default or, without waiving, determine, upon terms and conditions satisfactory to the Requisite Lenders (or, to the extent required by Section 11.2, all of the Lenders), to make further Advances, which waiver or determination shall apply equally to, and shall be binding upon, all the Lenders;

(2) the Requisite Lenders (or, to the extent required by Section 11.2, all of the Lenders) may request the Issuing Lender to, and the Issuing Lender thereupon shall, demand immediate payment by Borrower of an amount equal to the aggregate effective face amount of all outstanding Letters of Credit issued to Borrower as provided in Section 2.5 to be held as cash collateral for the reimbursement obligations of Borrower under such Letter of Credit; and

(3) the Requisite Lenders (or, to the extent required by Section 11.2, all of the Lenders) may request the Administrative Agent to, and the Administrative Agent thereupon shall, declare all or any part of the unpaid principal of all Loans, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents to be forthwith due and payable, whereupon the same shall become and be forthwith due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by Borrower.

(b) Upon the occurrence of any Event of Default described in Section 9.1(k):

(1) the Commitments to make Advances and to issue Letters of Credit and all other obligations of Creditors and all rights of Borrower and any other Party under the Loan Documents shall terminate without notice to or demand upon Borrower, which are expressly waived by Borrower, EXCEPT that all the Lenders may waive the Event of Default or, without waiving, determine, upon terms and conditions satisfactory to all the Lenders, to make further Advances, which determination shall apply equally to, and shall be binding upon, all the Lenders;

(2) an amount equal to the aggregate effective face amount of all outstanding Letters of Credit issued to Borrower shall be forthwith due and payable by Borrower to the Issuing Lender to be held by the Issuing Lender as cash collateral for the reimbursement obligations of Borrower to the Issuing Lender with respect to Letters of Credit issued by the Issuing Lender, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are waived by Borrower; and

(3) the unpaid principal amount of all Loans, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents shall be forthwith due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by Borrower.

(c) Without limiting the other remedies set forth in this Agreement, in the event that the Revolving Usage at any time exceeds the Borrowing Base by an amount which is in excess of \$250,000, the Administrative Agent shall at the request of the Requisite Lenders make demand upon Landec for payment of Landec Capital Calls under the Landec Keep Well in an amount which will result, after application the Landec Capital Calls, in current Revolving Availability being not less than \$500,000.

(d) Upon the occurrence of any Event of Default, the Lenders and the Administrative Agent, or any of them, without notice to or demand upon Borrower, which are expressly waived by Borrower, may proceed (but only with the consent of the Requisite Lenders) to protect, exercise and enforce their rights and remedies under the Loan Documents against Borrower and such other rights and remedies as are provided by Law or equity.

(e) The order and manner in which the Lenders' rights and remedies are to be exercised shall be determined by the Requisite Lenders in their sole discretion, and all payments received by the Creditors, or any of them, shall be applied first to the costs and expenses (including attorneys' fees and disbursements) of the Administrative Agent, acting in such capacity, second, to the principal amount of the Obligations and interest and credit fees thereon, and thereafter paid pro rata to the Lenders in the same proportions that the aggregate Obligations owed to each Lender under the Loan Documents bear to the aggregate Obligations owed under the Loan Documents to all the Lenders, without priority or preference among the Lenders for application to Obligations. Regardless of how each Lender may treat payments for the purpose of its own accounting, for the purpose of computing Borrower's Obligations hereunder, payments shall be applied FIRST, to the costs and expenses of the Creditors, as set forth above, SECOND, to the payment of accrued and unpaid interest due under any Loan Documents to and including the date of such application (ratably, and without duplication, according to the accrued and unpaid interest due under each of the Loan Documents), and THIRD, to the payment of all other amounts (including principal and credit fees) then owing to the Creditors under the Loan Documents. No such application of payments will cure any Event of

Default, or prevent acceleration, or continued acceleration, of amounts payable under the Loan Documents, or prevent the exercise, or continued exercise, of rights or remedies of the Lenders hereunder or thereunder or at law or in equity.

ARTICLE 10
THE ADMINISTRATIVE AGENT

10.1 APPOINTMENT AND AUTHORIZATION. Each Lender hereby irrevocably appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent.

10.2 DELEGATION OF DUTIES. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that they select with reasonable care.

10.3 LIABILITY OF THE ADMINISTRATIVE AGENT. None of the Agent Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Creditors for any recital, statement, representation or warranty made by Borrower or any Subsidiary or Affiliate of Borrower, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or for the value of any Collateral or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of Borrower or any other Party to any Loan Document to perform its obligations hereunder or thereunder. No Agent Related Person shall be under any obligation to the Creditors to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the Properties, books or records of Borrower or any of Borrower's Subsidiaries or Affiliates.

10.4 RELIANCE BY ADMINISTRATIVE AGENT.

(a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by them to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to Borrower), independent accountants and other experts selected by them. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless they shall first receive such advice or concurrence of the Requisite Lenders (and, in a case covered by Section 11.2, of all the Lenders) as they deem appropriate and, if they so request, they shall first be indemnified to their satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of

taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Requisite Lenders (or, in a case covered by Section 11.2, of all the Lenders) and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

(b) For purposes of determining compliance with the conditions specified in Section 8.1, each Lender that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter either sent by the Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Lender.

10.5 NOTICE OF DEFAULT. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be requested by the Requisite Lenders in accordance with Article 9; PROVIDED, HOWEVER, that unless and until the Administrative Agent shall have received any such request, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as each shall deem advisable or in the best interest of the Lenders.

10.6 CREDIT DECISION. Each other Creditor expressly acknowledges that none of the Agent Related Persons has made any representation or warranty to it and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of Borrower and its Subsidiaries shall be deemed to constitute any representation or warranty by the Administrative Agent to any other Creditor. Each other Creditor represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, Property, financial and other condition and creditworthiness of Borrower and its Subsidiaries, and all applicable bank regulatory laws relating to the transactions contemplated thereby, and made its own decision to enter into this Agreement and extend credit to Borrower hereunder. Each other Creditor also represents that it will, independently and without reliance upon the Administrative Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, Property, financial and other condition and creditworthiness of Borrower. Except for notices, reports and other documents expressly herein required to be furnished to the other Creditors by the Administrative Agent, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, Property, financial and other condition or creditworthiness of Borrower or any of its Subsidiaries which may come into the possession of any of the Agent Related Persons.

10.7 INDEMNIFICATION. Whether or not the transactions contemplated hereby shall be consummated, the Lenders shall indemnify upon demand the Agent Related Persons (to the extent not reimbursed by or on behalf of Borrower and without limiting the obligation of Borrower to do so), ratably from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind whatsoever which may at any time (including at any time following the repayment of the Loans and the termination or resignation of the Administrative Agent) be imposed on, incurred by or asserted against any such Person in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by any such Person under or in connection with any of the foregoing; PROVIDED, HOWEVER, that no Lender shall be liable for the payment to the Agent Related Persons of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including attorneys fees and expenses and the allocated fees and expenses of any internal counsel to the Administrative Agent) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of Borrower. Without limiting the generality of the foregoing, if the Internal Revenue Service or any other Governmental Agency asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify the Administrative Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Administrative Agent under this Section, together with all costs and expenses (including attorneys fees and expenses and the allocated fees and expenses of any internal counsel to the Administrative Agent). The obligation of the Lenders in this Section shall survive the payment of all Obligations hereunder.

10.8 BANK OF AMERICA IN ITS INDIVIDUAL CAPACITY. Bank of America and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory or other business with Borrower and its Subsidiaries and Affiliates as though Bank of America were not the Administrative Agent hereunder and without notice to or consent of the Lenders. With respect to its Advances and its risk participation in Letters of Credit, Bank of America shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Administrative Agent, and the terms "Lender" and "Lenders" shall include Bank of America in its individual capacity.

10.9 SUCCESSOR AGENTS. The Administrative Agent may, and at the request of the Requisite Lenders shall, resign upon 30 days' notice to the Lenders. If the Administrative Agent so resigns, the Requisite Lenders shall appoint from among the Lenders a successor Administrative Agent for the Lenders. If no successor is appointed prior to the effective date of the resignation, the Administrative Agent may appoint, after consulting with the Lenders and Borrower, a successor Administrative Agent from among the Lenders. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring

agent and the term "Administrative Agent" shall mean such successor agent and the retiring agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring agent's resignation under this Section, the provisions of this Article 10 and Sections 11.3, 11.12 and 11.22 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring agent's notice of resignation, the retiring agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the retiring agent hereunder until such time, if any, as the Requisite Lenders appoint a successor agent as provided for above.

10.10 ACTION BY THE ADMINISTRATIVE AGENT; COLLATERAL MATTERS.

(a) The Administrative Agent is authorized on behalf of all the Lenders, without the necessity of any notice to or further consent from the Lenders, from time to time to take any action with respect to any Collateral or the Collateral Documents which may be necessary to perfect and maintain perfected the security interest in and Liens upon the Collateral granted pursuant to the Collateral Documents.

(b) The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, to release any Lien granted to or held by the Administrative Agent upon any Collateral (i) upon termination of the Commitments and payment in full of all Loans and all other Obligations payable under this Agreement and under any other Loan Document; (ii) constituting Property sold or to be sold or disposed of as part of or in connection with any disposition permitted hereunder; (iii) constituting Property in which Borrower or any Subsidiary of Borrower owned no interest at the time the Lien was granted or at any time thereafter; (iv) constituting Property leased to Borrower or any Subsidiary of Borrower under a lease which has expired or been terminated in a transaction permitted under this Agreement or is about to expire and which has not been, and is not intended by Borrower or such Subsidiary to be, renewed or extended; (v) consisting of an instrument evidencing Indebtedness or other debt instrument, if the Indebtedness evidenced thereby has been paid in full; or (vi) if approved, authorized or ratified in writing by the Requisite Lenders or all the Lenders, as the case may be, as provided in Section 11.2. Upon request by the Administrative Agent at any time, the Lenders will confirm in writing the Administrative Agent's authority to release particular types or items of Collateral pursuant to this Section 10.10(b).

(c) Each Lender agrees with and in favor of each other (which agreement shall not be for the benefit of Borrower or any of its Subsidiaries) that Borrower's obligations to such Lender under this Agreement and the other Loan Documents is not and shall not be secured by any real property collateral now or hereafter acquired by such Lender unless all of the Lenders otherwise agree.

10.11 NO OBLIGATIONS OF BORROWER. Nothing contained in this Article 10 shall be deemed to impose upon Borrower any obligation in respect of the due and punctual performance by the Administrative Agent of its obligations to the Lenders under any provision of this Agreement, and Borrower shall have no liability to any Creditor in respect of any failure by any other Creditor to perform any of its obligations to any other Creditor under this Agreement. Without limiting the generality of the foregoing, where any provision of this Agreement relating to the payment of any amounts due and owing under the Loan Documents provides that such payments shall be made by Borrower to the Administrative Agent for the account of the Lenders, Borrower's obligations to the

Lenders in respect of such payments shall be deemed to be satisfied upon the making of such payments to such Person in the manner provided by this Agreement.

10.12 PROPORTIONATE INTEREST OF THE LENDERS IN COLLATERAL. The Administrative Agent, on behalf of all the Lenders, shall hold in accordance with the Loan Documents all items of any collateral or interests therein received or held by the Administrative Agent. Subject to the Administrative Agent's rights to reimbursement for its costs and expenses hereunder (INCLUDING attorneys' fees and disbursements and other professional services and the allocated costs of attorneys employed by the Administrative Agent) and subject to the application of payments in accordance with Section 9.2(e), each Lender shall have an interest in any collateral or interests therein in the same proportions that the aggregate Obligations owed such Lender under the Loan Documents (other than the Approved Swap Agreement) bear to the aggregate Obligations owed under the Loan Documents to all the Lenders, without priority or preference among the Lenders. Any obligation owed to a Lender under the Approved Swap Agreement shall rank PARI PASSU with the Obligations under the Loan Documents.

ARTICLE 11

MISCELLANEOUS

11.1 CUMULATIVE REMEDIES; NO WAIVER. The rights, powers, privileges and remedies of the Creditors provided herein or in any Loan Document are cumulative and not exclusive of any right, power, privilege or remedy provided by Law or equity. No failure or delay on the part of the Administrative Agent or any Lender in exercising any right, power, privilege or remedy may be, or may be deemed to be, a waiver thereof; nor may any single or partial exercise of any right, power, privilege or remedy preclude any other or further exercise of the same or any other right, power, privilege or remedy. The terms and conditions of Article 8 hereof are inserted for the sole benefit of the Administrative Agent the Lenders; the same may be waived in whole or in part, with or without terms or conditions, in respect of any Loan without prejudicing the Administrative Agent's or any Lender's rights to assert them in whole or in part in respect of any other Loan.

11.2 AMENDMENTS; CONSENTS. No amendment, modification, supplement, extension, termination or waiver of any provision of this Agreement or any other Loan Document, no approval or consent thereunder, and no consent to any departure by any Party therefrom, may in any event be effective unless in writing signed by the Requisite Lenders (and, in the case of amendments, modifications, supplements, extensions or terminations of or to any Loan Document to which Borrower is a Party, the approval in writing of Borrower) and then only in the specific instance and for the specific purpose given; and, without the approval in writing of all the Lenders, no amendment, modification, supplement, termination, waiver or consent may be effective:

(i) To amend or modify the principal of, or the amount of principal, principal prepayments or the rate of interest payable on, any Loan, or the amount of the Commitments or of any commitment fee or any letter of credit fee payable to any Lender, or any other fee or amount payable to any Lender under the Loan Documents or to waive an Event of Default consisting of the failure of Borrower to pay when due principal, interest, any commitment fee or any letter of credit fee;

(ii) To postpone any date fixed for any payment of principal of, prepayment of principal of or any installment of interest on, any Loan or any installment of any commitment fee or letter of credit fee, or to extend the term of the Commitments, or release any Collateral Document except to the extent expressly contemplated thereby or by Section 11.24;

(iii) To amend the provisions of the definition of "REQUISITE LENDERS" or this Section 11.2; or

(iv) To amend any provision of this Agreement that expressly requires the consent or approval of all the Lenders.

Any amendment, modification, supplement, termination, waiver or consent pursuant to this Section 11.2 shall apply equally to, and shall be binding upon, all the Lenders and the Administrative Agent. Without implying that the Lenders are obligated to agree to any amendment, modification, supplement, extension, termination or waiver requested by Borrower, the Lenders may impose such additional

conditions and such other fees and expenses (INCLUDING pursuant to Section 11.3) as the Lenders may deem appropriate in connection with the Lenders' approval thereof.

11.3 COSTS, EXPENSES AND TAXES. Borrower shall pay the reasonable costs and expenses (including any sales, use, value-added, goods, services or other taxes) of (a) the Administrative Agent in connection with the negotiation, preparation, execution and delivery of the Loan Documents (INCLUDING fees and out-of-pocket expenses of legal counsel to the Administrative Agent and the allocated costs of internal counsel to the Administrative Agent), (b) of each Creditor in connection with any amendment, modification, supplement, extension or waiver of the Loan Documents in connection with any refinancing, restructuring, reorganization (INCLUDING a bankruptcy reorganization) and enforcement or attempted enforcement of the Loan Documents, and any matter related thereto, in each case INCLUDING filing fees, recording fees, title insurance fees, appraisal fees, search fees and other out-of-pocket expenses and the reasonable fees (including any sales, use, value-added, goods services or other taxes) and out-of-pocket expenses of any legal counsel (INCLUDING the allocated cost of in-house counsel), independent public accountants and other outside experts retained by the Administrative Agent, and INCLUDING any costs, expenses or fees incurred or suffered by each Creditor in connection with or during the course of any bankruptcy or insolvency proceedings of Borrower or any Subsidiary thereof, and (c) out-of-pocket costs and expenses of the Administrative Agent incurred in connection with the administration of the Loan Documents. Borrower shall pay any and all documentary and other taxes (other than income or gross receipts taxes generally applicable to banks) and all costs, expenses, fees and charges payable or determined to be payable in connection with the filing or recording of any Loan Document or any other instrument or writing to be delivered hereunder or thereunder, or in connection with any transaction pursuant hereto or thereto, and shall reimburse, hold harmless and indemnify each Creditor' from and against any and all loss, liability or legal or other expense with respect to or resulting from any delay in paying or failure to pay any such tax, cost, expense, fee or charge that the Creditors may suffer or incur by reason of the failure of any Party to perform any of its Obligations. Any amount payable to the Creditors under this Section shall bear interest from the fifth Business Day following the date of demand for payment at the Default Rate.

11.4 NATURE OF LENDERS' OBLIGATIONS. The obligations of the Lenders hereunder are several and not joint or joint and several. Nothing contained in this Agreement or any other Loan Document and no action taken by the Creditors or any of them pursuant hereto or thereto may, or may be deemed to, make the Creditors a partnership, an association, a joint venture or other entity, either among themselves or with Borrower or any Affiliate of Borrower. Each Lender's obligation to make any Advance pursuant hereto is several and not joint or joint and several, and is conditioned upon the performance by all other Lenders of their obligations to make Advances. A default by any Lender will not increase the Pro Rata Share of any other Lender. Any Lender not in default may, if it desires, assume in such proportion as the nondefaulting Lenders agree the obligations of any Lender in default, but is not obligated to do so.

11.5 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties contained herein or in any other Loan Document, or in any certificate or other writing delivered by or on behalf of any one or more of the Parties to any Loan Document, will survive the making of the Loans hereunder (EXCEPT to the extent the same relate solely to a specified earlier date), and have been or will be relied upon by the Administrative Agent and each Lender, notwithstanding any investigation made by the Administrative Agent or by any Lender or on their behalf.

11.6 NOTICES. EXCEPT as otherwise expressly provided in the Loan Documents: (a) All notices, requests, demands, directions and other communications provided for hereunder or under

any other Loan Document must be in writing and must be mailed, telecopied, delivered by recognized overnight delivery service or hand delivered to the appropriate party at the address set forth on the signature pages of this Agreement or other applicable Loan Document or, as to any party to any Loan Document, at any other address as may be designated by it in a written notice sent to all other parties to such Loan Document in accordance with this Section; and (b) Any notice, request, demand, direction or other communication given by telecopier must be confirmed within two Business Days by letter mailed or delivered to the appropriate party at its respective address. EXCEPT as otherwise expressly provided in any Loan Document, if any notice, request, demand, direction or other communication required or permitted by any Loan Document is given by mail it will be effective on the earlier of receipt or the third Business Day after deposit in the United States mail with first class or airmail postage prepaid; if given by telecopier, when sent; or if given by recognized overnight delivery service or personal delivery, when delivered.

11.7 EXECUTION OF LOAN DOCUMENTS. This Agreement and any other Loan Document may be executed in any number of counterparts and any party hereto or thereto may execute any counterpart, each of which when executed and delivered will be deemed to be an original and all of which counterparts of this Agreement or any other Loan Document, as the case may be, when taken together will be deemed to be but one and the same instrument.

11.8 BINDING EFFECT; ASSIGNMENT.

(a) This Agreement and the other Loan Documents to which Borrower is a Party will be binding upon and inure to the benefit of Borrower, the Creditors, and their respective successors and assigns, EXCEPT that Borrower may not assign its rights hereunder or thereunder or any interest herein or therein without the prior written consent of all the Lenders. Each Lender represents that it is not acquiring its interest in the Loans with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (subject to any requirement that disposition of such interest must be within the control of such Lenders). Any Lender may at any time pledge its interest in the Loans to a Federal Reserve Bank, but no such pledge shall release that Lender from its obligations hereunder or grant to such Federal Reserve Bank the rights of a Lender hereunder absent foreclosure of such pledge.

(b) From time to time, each Lender may assign all or any portion of its Pro Rata Share to any Eligible Assignee; PROVIDED that (i) the assignee, if not then a Lender or an Affiliate of the assigning Lender, shall be approved by Borrower (which approval shall not be unreasonably withheld or delayed), (ii) such assignment shall be evidenced by an Assignment Agreement, a copy of which shall be furnished to the Administrative Agent as hereinbelow provided, (iii) such assignment shall be of the same Pro Rata Share of each Commitments, (iv) EXCEPT in the case of an assignment to an Affiliate of the assigning Lender, to another Lender or of the entire remaining portion of the Pro Rata Share of the assigning Lender, the assignment shall not assign a Pro Rata Share equivalent to less than \$5,000,000 and (v) the effective date of any such assignment shall be as specified in the Assignment Agreement, but not earlier than the date which is five Business Days after the date the Administrative Agent has received the Assignment Agreement. Upon the effective date of such Assignment Agreement, the assignee named therein shall be a Lender for all purposes of this Agreement, with the Pro Rata Share therein set forth and, to the extent of such Pro Rata Share, the assigning Lender shall be released from its obligations under this Agreement.

(c) By executing and delivering a Assignment Agreement, the assignee Lender thereunder acknowledges and agrees that: (i) other than the representation and warranty that it is the legal and beneficial owner of the Pro Rata Share being assigned thereby free and clear of any adverse claim, the assigning Lender has made no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness or sufficiency of this Agreement or any other Loan Document; (ii) the assigning Lender has made no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower or the performance by Borrower of the Obligations; (iii) it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Section 7.1 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment Agreement; (iv) it will, independently and without reliance upon the Administrative Agent or any Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) it appoints and authorizes the Administrative Agent to take such action and to exercise such powers under this Agreement as are delegated to the Administrative Agent by this Agreement; and (vi) it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent shall maintain at the Administrative Agent's Office a copy of each Assignment Agreement delivered to it. After receipt of a completed Assignment Agreement executed by any Lender and an assignee, and receipt of an assignment fee of \$3,500 from such assignee, Administrative Agent shall, promptly following the effective date thereof notify Borrower and each Lender of the identity of the new Lender.

(e) Each Lender may from time to time grant participations to one or more banks or other financial institutions in a portion of its Pro Rata Share; PROVIDED, HOWEVER, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other financial institutions shall not be a Lender hereunder for any purpose EXCEPT, if the participation agreement so provides, for the purposes of Sections 3.5, 3.6, and 11.12 but only to the extent that the cost of such benefits to Borrower does not exceed the cost which Borrower would have incurred in respect of such Lender absent the participation, (iv) Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, (v) the participation shall be of the same Pro Rata Share, (vi) the participation interest shall be expressed as a percentage of the assigning Lender's Pro Rata Share as it then exists and shall not restrict an increase in the Commitments, or in the assigning Lender's Pro Rata Share, so long as the amount of the participation interest is not affected thereby and (vii) the consent of the holder of such participation interest shall not be required for amendments or waivers of provisions of the Loan Documents OTHER THAN those which (A) extend the Revolver Termination Date, the Term Maturity Date or any other date upon which any payment of money is due to the Lenders or (B) reduce the rate of interest on the Loans, any fee or any other monetary amount payable to the Lenders.

11.9 FOREIGN LENDERS AND PARTICIPANTS. Each Lender, and each holder of a participation interest in the Loans that is incorporated under the Laws of a jurisdiction other than the United States of America or any state thereof shall deliver to Borrower (with a copy to the

Administrative Agent), within twenty days after accepting an assignment or receiving a participation interest herein pursuant to Section 11.8, if applicable, two duly completed copies, signed by a Responsible Official, of either Form 1001 (relating to such Person and entitling it to a complete exemption from withholding on all payments to be made to such Person by Borrower pursuant to this Agreement) or Form 4224 (relating to all payments to be made to such Person by Borrower pursuant to this Agreement) of the United States Internal Revenue Service or such other evidence satisfactory to Borrower and the Administrative Agent that no withholding under the federal income tax laws is required with respect to such Person. Thereafter and from time to time, each such Person shall (a) promptly submit to Borrower (with a copy to the Administrative Agent), such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to Borrower and the Administrative Agent of any available exemption from, United States withholding taxes in respect of all payments to be made to such Person by Borrower pursuant to this Agreement and (b) take such steps as shall not be disadvantageous to it, in the judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Eurodollar Lending Office, if any) to avoid any requirement of applicable laws that Borrower make any deduction or withholding for taxes from amounts payable to such Person.

11.10 RIGHT OF SETOFF. If an Event of Default has occurred and is continuing, the Administrative Agent or any Lender (but only with the consent of the Requisite Lenders) may exercise its rights under Article 9 of the Uniform Commercial Code and other applicable Laws and, to the extent permitted by applicable Laws, apply any funds in any deposit account maintained with it by Borrower and/or any Property of Borrower in its possession against the Obligations.

11.11 SHARING OF SETOFF. Each Lender severally agrees that if it, through the exercise of any right of setoff, banker's lien or counterclaim against Borrower, or otherwise, receives payment of the Obligations held by it that is ratably more than any other Lender, through any means, receives in payment of the Obligations held by that Lender, then, subject to applicable Laws: (a) The Lender exercising the right of setoff, banker's lien or counterclaim or otherwise receiving such payment shall purchase, and shall be deemed to have simultaneously purchased, from the other Lender a participation in the Obligations held by the other Lender and shall pay to the other Lender a purchase price in an amount so that the share of the Obligations held by each Lender after the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment shall be in the same proportion that existed prior to the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment; and (b) Such other adjustments and purchases of participations shall be made from time to time as shall be equitable to ensure that all of the Lenders share any payment obtained in respect of the Obligations ratably in accordance with each Lender's share of the Obligations immediately prior to, and without taking into account, the payment; PROVIDED that, if all or any portion of a disproportionate payment obtained as a result of the exercise of the right of setoff, banker's lien, counterclaim or otherwise is thereafter recovered from the purchasing Lender by Borrower or any Person claiming through or succeeding to the rights of Borrower, the purchase of a participation shall be rescinded and the purchase price thereof shall be restored to the extent of the recovery, but without interest. Each Lender that purchases a participation in the Obligations pursuant to this Section shall from and after the purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased. Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in an Obligation so purchased may

exercise any and all rights of setoff, banker's lien or counterclaim with respect to the participation as fully as if that Lender were the original owner of the Obligation purchased.

11.12 INDEMNITY BY BORROWER. Borrower agrees to indemnify, save and hold harmless each Creditor and their respective parent corporations, Subsidiaries, directors, officers, agents, attorneys and employees (collectively the "INDEMNITEES") from and against: (a) Any and all claims, demands, actions or causes of action that are asserted against any Indemnitee by any Person (OTHER THAN any Indemnitee or any Party) if the claim, demand, action or cause of action directly or indirectly relates to a claim, demand, action or cause of action that such Person asserts or may assert against Borrower, any Affiliate of Borrower or any officer, director or shareholder of Borrower, PROVIDED that the same relates to or arises from this Agreement, any other Loan Document, or any transaction contemplated hereunder or thereunder; (b) Any and all claims, demands, actions or causes of action that are asserted against any Indemnitee by any Person (OTHER THAN any Indemnitee or any Party) if the claim, demand, action or cause of action arises out of or relates to the Commitments, the use or contemplated use of proceeds of any Loan or Letter of Credit, or the relationship of Borrower and the Creditors under this Agreement; (c) Any administrative or investigative proceeding by any Governmental Agency arising out of or related to a claim, demand, action or cause of action described in clauses (a) or (b) above; and (d) Any and all liabilities, losses, costs or expenses (INCLUDING reasonable attorneys' fees (including the allocated cost of in-house counsel) and disbursements and other reasonable professional services) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action or cause of action; PROVIDED that no Indemnitee shall be entitled to indemnification for any loss caused by its own gross negligence or willful misconduct. If any such claim, demand, action or cause of action is asserted against any Indemnitee, such Indemnitee shall promptly notify Borrower in writing, but the failure to so promptly notify Borrower shall not affect Borrower's obligations under this Section. Any obligation or liability of Borrower to any Indemnitee under this Section shall survive the expiration or termination of this Agreement and the repayment of all Loans and the payment and performance of all other Obligations.

11.13 NONLIABILITY OF THE CREDITORS. Borrower acknowledges and agrees that:

(a) Any inspections or audits of any Property of Borrower made by or through the Creditors are for purposes of administration of the Loan Documents only and Borrower is not entitled to rely upon the same, nor is any Creditor obligated to release to Borrower any information obtained as a result of such inspection or audit;

(b) By accepting or approving anything required to be observed, performed, fulfilled or given to any Creditor pursuant to the Loan Documents, the Creditors shall not be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance or approval thereof shall not constitute a warranty or representation to anyone with respect thereto by any Creditor; and

(c) The relationship among Borrower its Subsidiaries and the Creditors is, and shall at all times remain, solely that of borrower, guarantors and lenders; no Creditor shall under any circumstance be construed to be a partner or joint venturer of Borrower or its Affiliates; no Creditor shall under any circumstance be deemed to be in a relationship of confidence or trust or a fiduciary relationship with Borrower or its Affiliates, or to owe any fiduciary duty to Borrower or its Affiliates under this Agreement; the Creditors do not undertake or assume any responsibility or duty to Borrower or its Affiliates to select, review,

inspect, supervise, pass judgment upon or inform Borrower or its Affiliates of any matter in connection with their Property or the operations of Borrower or its Affiliates; Borrower and its Affiliates shall rely entirely upon its own judgment with respect to such matters; and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by the Creditors in connection with such matters is solely for the protection of the Creditors and neither Borrower nor any other Person is entitled to rely thereon.

11.14 NO THIRD PARTIES BENEFITTED. This Agreement is made for the purpose of defining and setting forth certain obligations, rights and duties of Borrower and the Creditors in connection with the Loans and Letters of Credit, and is made for the sole benefit of Borrower and the Creditors and the successors and assigns of the Creditors. EXCEPT as provided in Section 11.8, no other Person shall have any rights of any nature hereunder or by reason hereof.

11.15 FURTHER ASSURANCES. Borrower shall, and shall cause its Subsidiaries to, at their expense and without expense to the Creditors, do, execute and deliver such further acts and documents as the Administrative Agent or the Requisite Lenders from time to time reasonably require for the assuring and confirming unto the Creditors of the rights hereby created or intended now or hereafter so to be, or for carrying out the intention or facilitating the performance of the terms of any Loan Document.

11.16 CONFIDENTIALITY. Each Lender agrees to hold any confidential information that it may receive from Borrower pursuant to this Agreement in confidence, EXCEPT for disclosure: (a) To other Lenders; (b) To legal counsel and accountants for Borrower, the Administrative Agent or any Lender; (c) To other professional advisors to Borrower, the Administrative Agent or any Lender; (d) To regulatory officials having jurisdiction over that Lender; (e) As required by Law or legal process or in connection with any legal proceeding to which that Lender is a party; and (g) To another financial institution in connection with a disposition or proposed disposition to that financial institution of all or part of that Lender's interests hereunder or a participation interest in its Loans, PROVIDED that the recipient has accepted such information subject to a confidentiality agreement substantially similar to this Section. For purposes of the foregoing, "confidential information" shall mean any information respecting Borrower or its Subsidiaries reasonably considered by Borrower to be confidential, OTHER THAN (i) information previously filed with any Governmental Agency and available to the public, (ii) information previously published in any public medium from a source other than, directly or indirectly, that Lender, and (iii) information previously disclosed by Borrower to any Person not an Affiliate, agent or employee of Borrower without a confidentiality agreement substantially similar to this Section. Nothing in this Section shall be construed to create or give rise to any fiduciary duty on the part of any Creditor to Borrower or its Affiliates.

11.17 INTEGRATION. This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and supersedes all prior agreements, written or oral, on the subject matter hereof. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control and govern; PROVIDED that the inclusion of supplemental rights or remedies in favor of the Creditors in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was &ailed with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

11.18 SEVERABILITY OF PROVISIONS. Any provision in any Loan Document that is held to be inoperative, unenforceable or invalid as to any party or in any jurisdiction shall, as to that party or jurisdiction, be inoperative, unenforceable or invalid without affecting the remaining provisions or the operation, enforceability or validity of that provision as to any other party or in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

11.19 INDEPENDENT COVENANTS. Each covenant in Articles 5, 6 and 7 is independent of the other covenants in those Articles; the breach of any such covenant shall not be excused by the fact that the circumstances underlying such breach would be permitted by another such covenant.

11.20 HEADINGS. Article and Section headings in this Agreement and the other Loan Documents are included for convenience of reference only and are not part of this Agreement or the other Loan Documents for any other purpose.

11.21 ARBITRATION REFERENCE.

(a) MANDATORY ARBITRATION. Any controversy or claim between or among the parties, including but not limited to those arising out of or relating to this Agreement or any agreements or instruments relating hereto or delivered in connection herewith and any claim based on or arising from an alleged tort, shall at the request of any party be determined by arbitration. The arbitration shall be conducted in accordance with the United States Arbitration Act (Title 9, U.S. Code), notwithstanding any choice of law provision in this Agreement, and under the Commercial Rules of the American Arbitration Association ("AAA"). The arbitrators shall give effect to statutes of limitation in determining any claim. Any controversy concerning whether an issue is arbitrable shall be determined by the arbitrators. Judgment upon the arbitration award may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(b) REAL PROPERTY COLLATERAL. Notwithstanding the provisions of subparagraph (a), no controversy or claim shall be submitted to arbitration without the consent of all parties if, at the time of the proposed submission, such controversy or claim arises from or relates to an obligation to any Creditor which is secured by real property collateral. If all parties do not consent to submission of such a controversy or claim to arbitration, the controversy or claim shall be determined as provided in subparagraph (c).

(c) JUDICIAL REFERENCE. A controversy or claim which is not submitted to arbitration as provided and limited in subparagraphs (a) and (b) shall, at the request of any party, be determined by a reference in accordance with California Code of Civil Procedure Sections 638 ET SEQ. If such an election is made, the parties shall designate to the court a referee or referees selected under the auspices of the AAA in the same manner as arbitrators are selected in AAA-sponsored proceedings. The presiding referee of the panel, or the referee if there is a single referee, shall be an active attorney or retired judge. Judgment upon the award rendered by such referee or referees shall be entered in the court in which such proceeding was commenced in accordance with California Code of Civil Procedure Sections 644 and 645.

(d) PROVISIONAL REMEDIES, SELF-HELP AND FORECLOSURE. No provision of this section shall limit the right of any party to this Agreement to exercise self-help remedies

such as setoff, to foreclose against or sell any real or personal property collateral or security or to obtain provisional or ancillary remedies from a court of competent jurisdiction before, after, or during the pendency of any arbitration or other proceeding. The exercise of a remedy does not waive the right of either party to resort to arbitration or reference. At the Requisite Lenders' option, foreclosure under a deed of trust or mortgage may be accomplished either by exercise of power of sale under the deed of trust or mortgage or by judicial foreclosure.

11.22 ENVIRONMENTAL INDEMNITY. Borrower hereby agrees to indemnify, defend and hold harmless each Creditor and each of their respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person"), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses or disbursements (INCLUDING fees and out-of-pocket expenses of legal counsel to the Administrative Agent and the allocated costs of internal counsel to the Administrative Agent and the allocated cost of internal environmental audit or review services), which may be incurred by or asserted against such Indemnified Person in connection with or arising, directly or indirectly out of any pending or threatened investigation, litigation or proceeding, or any action taken by any Person, with respect to: (a) any Environmental Claim arising out of or related to any Property subject to a Lien in favor of the Administrative Agent or any Lender. No action taken by legal counsel chosen by the Administrative Agent or any Lender in defending against any such investigation, litigation or proceeding or requested remedial, removal or response action shall vitiate or any way impair Borrower's obligation and duty hereunder to indemnify and hold harmless each Creditor.

(a) In no event shall any site visit, observation, or testing by the Administrative Agent or any Lender (or any contractee of the Administrative Agent or any Lender) be deemed a representation or warranty that Hazardous Materials are or are not present in, on, or under, the site, or that there has been or shall be compliance with any Environmental Law. Neither Borrower nor any other Person is entitled to rely on any site visit, observation, or testing by the Administrative Agent or any Lender. Neither the Administrative Agent nor any Lender owes any duty of care to protect Borrower or any other Person against, or to inform Borrower or any other party of, any Hazardous Materials or any other adverse condition affecting any site or Property. Neither the Administrative Agent nor any Lender shall be obligated to disclose to Borrower or any other Person any report or findings made as a result of, or in connection with, any site visit, observation, or testing by the Administrative Agent or any Lender.

(b) The obligations in this Section shall survive payment of all other Obligations. At the election of any Indemnified Person, Borrower shall defend such Indemnified Person using legal counsel satisfactory to such Indemnified Person in such Person's sole discretion, at the sole cost and expense of Borrower. All amounts owing under this Section shall be paid within 30 days after demand.

(c) Borrower acknowledges that the Administrative Agent's and Lenders' appraisal of the Real Property is such that Administrative Agent and Lenders are not willing to accept the consequences under any applicable anti-deficiency rules, of inclusion of the obligations under this Section among the obligations secured by the Real Property, and that Administrative Agent and Lenders would not enter into the Loan Agreement with Borrower but for the personal liability undertaken by Borrower for such obligations.

11.23 RELEASES OF THE PLEDGE AGREEMENTS. The Administrative Agent and the Lenders hereby agree that, upon the reduction following the Closing Date of the outstanding principal balance of the Term Loans to \$5,250,000 and the written request of Borrower, they shall promptly release the Liens of the Landec Pledge Agreement, the Borrower Pledge Agreement and any pledge agreements which may hereafter be executed by Subsidiaries of Borrower with respect to their own Subsidiaries, provided that the Administrative Agent and the Lenders shall not be required to release their Liens with respect to the general partnership interests of Apio Cooling. In addition thereto, it is acknowledged that the Landec Pledge Agreement provides, inter alia, that from time to time following the Closing Date the Administrative Agent shall release its lien with respect to not more than 20% of the capital stock of Borrower in connection and substantially concurrently with the issuance of such stock in conjunction with a management incentive plan implemented by Borrower PROVIDED that (a) no Default or Event of Default exists as of the date of such release, and (b) each recipient of such capital stock shall have executed a "come-along" agreement acceptable to the Administrative Agent providing for the sale by such recipient of their capital stock in Borrower to a Person designated by the Administrative Agent in the event of any foreclosure by the Administrative Agent upon the remaining capital stock in Borrower (or any other sale arranged by the Borrower or its representatives when an Event of Default exists).

11.24 JURISDICTION AND VENUE. Except as otherwise expressly provided in any Loan Document, the parties hereto and thereto agree and intend that the proper and exclusive forum for any litigation of any disputes or controversies arising out of or related to the Loan Documents shall be the Superior Court of the State of California for the County of Los Angeles. Notwithstanding the foregoing, the parties agree that, with respect to any Collateral given by Borrower or any Affiliate thereof to any of the Creditors located in states or jurisdictions other than California, or in counties of California other than Los Angeles County, the Administrative Agent shall be entitled on behalf of such Creditors to commence actions in such states or jurisdictions, or in such counties of California, against Borrower or any Affiliate thereof or other Persons for the purpose of seeking provisional remedies, INCLUDING actions for claim and delivery of Property, or for injunctive relief or appointment of a receiver, or actions to foreclose upon Liens granted to the Creditors. Each party to any Loan Document, to the extent permitted by applicable laws, hereby expressly waives any defense or objection to jurisdiction or venue based on the doctrine of FORUM NON CONVENIENS, and stipulates that the Superior Court of the State of California for the County of San Francisco shall have IN PERSONAM jurisdiction and venue over such party for the purpose of litigating any dispute or controversy arising out of or related to the Loan Documents. In the event Borrower or any Affiliate thereof should commence or maintain any action or proceeding arising out of or related to the Loan Documents in a forum other than the Superior Court of the State of California for the County of San Francisco, the Creditors shall be entitled to request the dismissal or stay of such action or proceeding, and Borrower and its Affiliates stipulate that such action or proceeding shall be dismissed or stayed.

11.25 JURY TRIAL WAIVER. AFTER REVIEWING THIS PROVISION SPECIFICALLY WITH THEIR RESPECTIVE COUNSEL, BORROWER, THE ADMINISTRATIVE AGENT, THE ISSUING LENDER AND EACH LENDER HEREBY KNOWINGLY, INTELLIGENTLY AND INTENTIONALLY WAIVE ANY AND ALL RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL PROCEEDING BASED ON OR ARISING OUT OF, UNDER, IN CONNECTION WITH, OR RELATING TO THIS AGREEMENT, THE LETTERS OF CREDIT, ANY OF THE NOTES, ANY OF THE OTHER LOAN DOCUMENTS, THE TRANSACTIONS CONTEMPLATED HEREBY, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF BORROWER, THE ADMINISTRATIVE AGENT, OR ANY LENDER. THIS

PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDERS TO MAKE THE LOANS TO AND ISSUE LETTERS OF CREDIT FOR THE ACCOUNT OF BORROWER.

11.26 GOVERNING LAW. EXCEPT TO THE EXTENT OTHERWISE EXPRESSLY PROVIDED THEREIN, EACH LOAN DOCUMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAW OF CALIFORNIA.

11.27 PURPORTED ORAL AMENDMENTS. THE PARTIES HERETO EXPRESSLY ACKNOWLEDGE THAT THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS MAY ONLY BE AMENDED OR MODIFIED, OR THE PROVISIONS HEREOF OR THEREOF WAIVED OR SUPPLEMENTED, BY AN INSTRUMENT IN WRITING THAT COMPLIES WITH SECTION 11.2. THE PARTIES HERETO AGREE THAT THEY WILL NOT RELY ON ANY COURSE OF DEALING, COURSE OF PERFORMANCE, OR ORAL OR WRITTEN STATEMENTS BY ANY REPRESENTATIVE OF THE ADMINISTRATIVE AGENT OR ANY LENDER THAT DOES NOT COMPLY WITH SECTION 11.2 TO EFFECT AN AMENDMENT, MODIFICATION, WAIVER OR SUPPLEMENT TO THE AGREEMENT OF THE OTHER LOAN DOCUMENTS.

IN WITNESS WHEREOF, the parties hereto have caused
this Agreement to be duly executed as of the date first above written.

Borrower:

BUSH ACQUISITION CORPORATION,
a Delaware corporation

By: _____

Name:
Title:

Address:

P.O. Box 267 Guadalupe, CA 93434
4595 West Main Street
Attn: Kirk Tunnel
Telephone: (805) 343 2835 x 5329
Telecopier: (805) 343 0745

BANK OF AMERICA, N.A.,
as Administrative Agent,
as Issuing Lender and as a Lender

By: _____

Jeffrey Perkins
Senior Vice President

Address:

Bank of America, N.A.

MC CA3-103-01-03

101 Park Center Plaza, First Floor
San Jose, CA 95113
Attn: Jeffrey Perkins, Senior Vice President

Telephone: (408) 971-5009
Telecopier: (408) 277-7087

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8 Nos. 333-06163 and 333-29103) pertaining to the 1995 Employee Stock Purchase Plan, 1995 Directors' Stock Option Plan, 1996 Stock Option Plan and 1996 Non-Executive Stock Option Plan, of our report dated December 6, 1999, with respect to the consolidated financial statements and schedules of Landec Corporation included in this Annual Report (Form 10-K) for the year ended October 31, 1999.

/s/ Ernst & Young LLP

San Francisco, California
January 25, 2000

12-MOS

	OCT-31-1999	
	NOV-01-1998	
	OCT-31-1999	3,203
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	2,997	
	45	
	7,641	
	16,167	15,237
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0		0
	0	
	77,289	
40,708	(45,528)	
	33,927	
	35,447	21,476
	27,234	
	0	
	0	
	99	
	(2,715)	54
(2,769)		0
	0	
	0	0
	(2,769)	
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