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

**FORM 10-Q**

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

For the Fiscal Quarter Ended August 30, 2020, or

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

For the Transition period for \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: **0-27446**

**LANDEC CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**94-3025618**

(IRS Employer Identification Number)

**2811 Airpark Drive**

**Santa Maria, California**

(Address of principal executive offices)

**93455**

(Zip Code)

**(650) 306-1650**

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.001 per share	LNDC	The NASDAQ Global Select Market

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  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

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

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

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

As of October 1, 2020, there were 29,241,889 shares of common stock outstanding.

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**LANDEC CORPORATION**  
**FORM 10-Q**  
**For the Fiscal Quarter Ended August 30, 2020**

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

	August 30, 2020	May 31, 2020
	(unaudited)	
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 589	\$ 360
Accounts receivable, less allowance for credit losses	65,027	76,206
Inventories	59,998	66,311
Prepaid expenses and other current assets	21,753	14,230
<b>Total Current Assets</b>	<b>147,367</b>	<b>157,107</b>
Investment in non-public company, fair value	56,900	56,900
Property and equipment, net	171,413	192,338
Operating leases	22,109	25,321
Goodwill	69,386	69,386
Trademarks/tradenames, net	25,328	25,328
Customer relationships, net	12,281	12,777
Other assets	1,396	2,156
<b>Total Assets</b>	<b>\$ 506,180</b>	<b>\$ 541,313</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 50,722	\$ 51,647
Accrued compensation	8,895	9,034
Other accrued liabilities	9,607	9,978
Current portion of lease liabilities	4,001	4,423
Deferred revenue	477	352
Line of credit	69,000	77,400
Current portion of long-term debt, net	11,027	11,554
<b>Total Current Liabilities</b>	<b>153,729</b>	<b>164,388</b>
Long-term debt, net	93,919	101,363
Long-term lease liabilities	23,018	26,378
Deferred taxes, net	9,359	13,588
Other non-current liabilities	4,997	4,552
<b>Total Liabilities</b>	<b>285,022</b>	<b>310,269</b>
Stockholders' Equity:		
Common stock, \$0.001 par value; 50,000 shares authorized; 29,242 and 29,224 shares issued and outstanding at August 30, 2020 and May 31, 2020, respectively	29	29
Additional paid-in capital	163,388	162,578
Retained earnings	60,245	71,245
Accumulated other comprehensive loss	(2,504)	(2,808)
<b>Total Stockholders' Equity</b>	<b>221,158</b>	<b>231,044</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 506,180</b>	<b>\$ 541,313</b>

*See accompanying notes to the consolidated financial statements.*

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

	Three Months Ended	
	August 30, 2020	August 25, 2019
Product sales	\$ 135,643	\$ 138,714
Cost of product sales	119,296	123,378
Gross profit	16,347	15,336
Operating costs and expenses:		
Research and development	2,508	2,821
Selling, general and administrative	17,903	16,895
Restructuring costs	8,404	—
Total operating costs and expenses	28,815	19,716
Operating loss	(12,468)	(4,380)
Dividend income	281	281
Interest income	8	25
Interest expense, net	(3,109)	(2,075)
Other expense (income), net	(21)	—
Net loss before tax	(15,309)	(6,149)
Income tax benefit	4,309	1,365
Net loss applicable to common stockholders	\$ (11,000)	\$ (4,784)
Net loss per common share:		
Basic	\$ (0.38)	\$ (0.16)
Diluted	\$ (0.38)	\$ (0.16)
Shares used in per share computation:		
Basic	29,242	29,139
Diluted	29,242	29,139
Other comprehensive income (loss), net of tax:		
Net unrealized gain (losses) on interest rate swaps (net of tax effect of \$(121) and \$265)	\$ 304	\$ (612)
Other comprehensive income (loss), net of tax	304	(612)
Total comprehensive loss	\$ (10,696)	\$ (5,396)

*See accompanying notes to the consolidated financial statements.*

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

Three Months Ended August 30, 2020

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance at May 31, 2020	29,224	\$ 29	\$ 162,578	\$ 71,245	\$ (2,808)	\$ 231,044
Issuance of stock under stock plans	18	—	—	—	—	—
Taxes paid by Company for employee stock plans	—	—	(82)	—	—	(82)
Stock-based compensation	—	—	892	—	—	892
Net loss	—	—	—	(11,000)	—	(11,000)
Other comprehensive income, net of tax	—	—	—	—	304	304
Balance at August 30, 2020	29,242	\$ 29	\$ 163,388	\$ 60,245	\$ (2,504)	\$ 221,158

Three Months Ended August 25, 2019

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance at May 26, 2019	29,102	\$ 29	\$ 160,341	\$ 109,710	\$ 64	\$ 270,144
ASC 842 transition adjustment	—	—	—	(274)	—	(274)
Issuance of stock under stock plans	44	—	—	—	—	—
Taxes paid by Company for employee stock plans	—	—	(55)	—	—	(55)
Stock-based compensation	—	—	528	—	—	528
Net loss	—	—	—	(4,784)	—	(4,784)
Other comprehensive loss, net of tax	—	—	—	—	(612)	(612)
Balance at August 25, 2019	29,146	\$ 29	\$ 160,814	\$ 104,652	\$ (548)	\$ 264,947

*See accompanying notes to the consolidated financial statements.*

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

	Three Months Ended	
	August 30, 2020	August 25, 2019
<b>Cash flows from operating activities:</b>		
Consolidated net loss	\$ (11,000)	\$ (4,784)
<b>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</b>		
Depreciation, amortization of intangibles and amortization of debt costs	5,102	4,503
Stock-based compensation expense	892	528
Deferred taxes	(4,349)	(1,442)
Net gain on disposal of property and equipment held and used	(11)	(7)
Loss on disposal of property and equipment related to restructuring, net	6,005	—
Other, net	21	—
<b>Changes in current assets and current liabilities:</b>		
Accounts receivable, net	11,179	8,163
Inventories	6,313	(888)
Prepaid expenses and other current assets	1,353	(1,215)
Accounts payable	917	(6,105)
Accrued compensation	(139)	(3,288)
Other accrued liabilities	613	(893)
Deferred revenue	125	(11)
Net cash provided by (used in) operating activities	17,021	(5,439)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(4,623)	(9,981)
Proceeds from collections of notes receivable	—	296
Proceeds from sales of property and equipment	4,855	19
Net cash provided by (used in) investing activities	232	(9,666)
<b>Cash flows from financing activities:</b>		
Taxes paid by Company for employee stock plans	(82)	(55)
Payments on long-term debt	(8,030)	(2,530)
Proceeds from lines of credit	11,000	35,000
Payments on lines of credit	(19,400)	(16,400)
Payments for debt issuance costs	(512)	—
Net cash (used in) provided by financing activities	(17,024)	16,015
Net increase in cash, cash equivalents and restricted cash	229	910
Cash, cash equivalents and restricted cash, beginning of period	553	1,465
Cash, cash equivalents and restricted cash, end of period	\$ 782	\$ 2,375
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Purchases of property and equipment on trade vendor credit	\$ 978	\$ 2,191

*See accompanying notes to the consolidated financial statements.*

**LANDEC CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

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

**Organization**

Landec Corporation and its subsidiaries (“Landec” or the “Company”) design, develop, manufacture, and sell differentiated products for food and biomaterials markets, and license technology applications to partners.

Landec’s biomedical company, Lifecore Biomedical, Inc. (“Lifecore”), is a fully integrated contract development and manufacturing organization (“CDMO”) that offers highly differentiated capabilities in the development, fill and finish of sterile, injectable pharmaceutical products in syringes and vials. As a leading manufacturer of premium, injectable-grade hyaluronic acid, Lifecore brings 35 years of expertise as a partner for global and emerging biopharmaceutical and biotechnology companies across multiple therapeutic categories to bring their innovations to market. Lifecore recognizes revenue in two different product categories: CDMO and Fermentation.

Landec’s natural food company, Curation Foods, Inc. (“Curation Foods”) is focused on innovating and distributing plant-based foods with 100% clean ingredients to retail, club and foodservice channels throughout North America. Curation Foods is able to maximize product freshness through its geographically dispersed family of growers, refrigerated supply chain and patented BreatheWay packaging technology. Its products are sold in natural food, conventional grocery and mass retail stores, primarily in the United States and Canada. The company categorizes revenue in three categories, Fresh packaged salads and vegetables, Avocado Products, and Technology which reports revenues for BreatheWay patented supply chain solutions. Included in the Curation Foods segment and fresh packaged salads and vegetables revenue disaggregation is O Olive Oil & Vinegar (“O”), which is a premier producer of California specialty olive oils and wine vinegars. Also included in the Curation Foods segment are the dividends from, and Landec’s share of the change in the fair market value of the Company’s 26.9% investment ownership of Windset, a leading edge grower of hydroponically grown produce.

**Basis of Presentation**

The accompanying unaudited consolidated financial statements of Landec have been prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring accruals) have been made which are necessary to present fairly the financial position of the Company at August 30, 2020, and the results of operations and cash flows for all periods presented. Although Landec believes that the disclosures in these financial statements are adequate to make the information presented not misleading, certain information normally included in financial statements and related footnotes prepared in accordance with GAAP have been condensed or omitted in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”). The accompanying financial data should be reviewed in conjunction with the audited financial statements and accompanying notes included in Landec’s Annual Report on Form 10-K for the fiscal year ended May 31, 2020 (the “Annual Report”).

The Company’s fiscal year is the 52- or 53-week period that ends on the last Sunday of May with quarters within each year ending on the last Sunday of August, November, and February; however, in instances where the last Sunday would result in a quarter being 12-weeks in length, the Company’s policy is to extend that quarter to the following Sunday. A 14th week is included in the fiscal year every five or six years to realign the Company’s fiscal quarters with calendar quarters.

The results of operations for the three months ended August 30, 2020 are not necessarily indicative of the results that may be expected for an entire fiscal year because there is some seasonality in Curation Foods’ business and the order patterns of Lifecore’s customers which may lead to significant fluctuations in Landec’s quarterly results of operations.

**Basis of Consolidation**

The consolidated financial statements are presented on the accrual basis of accounting in accordance with GAAP and include the accounts of Landec Corporation and its subsidiaries, Curation Foods and Lifecore. All inter-company transactions and balances have been eliminated.

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

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

### Use of Estimates

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

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

### Cash and Cash Equivalents

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

#### *Reconciliation of Cash and Cash Equivalents and Restricted Cash as presented on the Statements of Cash Flows*

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows:

<i>(In thousands)</i>	August 30, 2020	May 31, 2020	August 25, 2019	May 26, 2019
Cash and cash equivalents	\$ 589	\$ 360	\$ 1,990	\$ 1,080
Restricted cash	193	193	385	385
Cash, cash equivalents and restricted cash	<u>\$ 782</u>	<u>\$ 553</u>	<u>\$ 2,375</u>	<u>\$ 1,465</u>

The Company was required to maintain \$0.2 million and \$0.2 million of restricted cash at August 30, 2020 and May 31, 2020, respectively, related to certain collateral requirements for obligations under its workers' compensation programs. The restricted cash is included in Other assets in the Company's accompanying Consolidated Balance Sheets.

### Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value and consist of the following:

<i>(In thousands)</i>	August 30, 2020	May 31, 2020
Finished goods	\$ 27,635	\$ 35,177
Raw materials	25,794	25,856
Work in progress	6,569	5,278
Total	<u>\$ 59,998</u>	<u>\$ 66,311</u>

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



**Accounts Receivable and Sales Returns and Allowance for Credit Losses**

The Company carries its accounts receivable at their face amounts less an allowance for estimated sales returns and credit losses. Sales return allowances are estimated based on historical sales return amounts.

The Company uses the loss rate method to estimate its expected credit losses on trade accounts receivable and contract assets. In order to estimate expected credit losses, the Company assessed recent historical experience, current economic conditions and any reasonable and supportable forecasts to identify risk characteristics that are shared within the financial asset. These risk characteristics are then used to bifurcate the loss rate method into risk pools. The risk pools were determined based on the industries in which the Company operates. Historical credit loss for each risk pool is then applied to the current period aging as presented in the identified risk pools to determine the needed reserve allowance. At times when there are not current economic conditions or forecasts that may affect future credit losses, the Company has determined that recent historical experience provide the best basis for estimating credit losses.

The information obtained from assessing historical experience, current economic conditions and reasonable and supportable forecasts were used to identify risk characteristics that can affect future credit loss experience. There were no significant risk characteristics identified in the review of historical experiences or in the review of estimates of current economic conditions and forecasts.

Estimating credit losses based on risk characteristics requires significant judgment by management. Significant judgments include, but are not limited to: assessing current economic conditions and the extent to which they are relevant to the existing characteristics of the Company's financial assets, the estimated life of financial assets, and the level of reliance on historical experience in light of economic conditions. The Company will continually review and update, when necessary, its historical risk characteristics that are meaningful to estimating credit losses, any new risk characteristics that arise in the natural course of business, and the estimated life of its financial assets.

The changes in the Company's allowance for sales returns and credit losses are summarized in the following table (in thousands):

	Balance at beginning of period	Provision for expected credit losses	Write offs, net of recoveries	Balance at end of period
Three months ended August 30, 2020	\$ 438	\$ 35	\$ (169)	\$ 304

**Related Party Transactions**

The Company sells and licenses its BreatheWay® food packaging technology to Windset Holdings 2010 Ltd. ("Windset"), in which, as further described in Note 2, the Company has an approximate 26.9% ownership interest. During the three months ended August 30, 2020 and August 25, 2019, the Company recognized revenues of \$0.1 million and \$0.1 million, respectively. These amounts have been included in Product sales in the accompanying Consolidated Statements of Comprehensive (Loss) Income. The related receivable balances of \$0.3 million and \$0.5 million are included in Accounts receivable in the accompanying Consolidated Balance Sheets as of August 30, 2020 and May 31, 2020, respectively.

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

**Debt Issuance Costs**

The Company records its line of credit debt issuance costs as an asset, and as such, \$1.0 million and \$0.1 million were recorded as Prepaid expenses and other current assets, and Other assets in the accompanying Consolidated Balance Sheets, respectively, as of August 30, 2020, and \$0.3 million and \$0.5 million, respectively, as of May 31, 2020. The Company records its term debt issuance costs as a contra-liability, and as such, \$1.0 million and \$0.1 million was recorded as Current portion of long-term debt, and Long-term debt, net in the accompanying Consolidated Balance Sheets, respectively, as of August 30, 2020 and \$0.4 million and \$0.6 million, respectively, as of May 31, 2020.

**Financial Instruments**

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

*Cash Flow Hedges*

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

For derivative instruments that hedge the exposure to variability in expected future cash flows and are designated as cash flow hedges, the entire change in the fair value of the hedging instrument is recorded as a component of Accumulated other comprehensive loss ("AOCL") in Stockholders' Equity. Those amounts are subsequently reclassified to earnings in the same line item in the Consolidated Statement of Operations as impacted by the hedged item when the hedged item affects earnings. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions.

*Accumulated Other Comprehensive Loss*

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

<i>(In thousands)</i>	AOCL
Balance as of May 31, 2020	\$ (2,808)
Other comprehensive loss before reclassifications, net of tax effect	(230)
Amounts reclassified from OCI	534
Other comprehensive income, net	304
Balance as of August 30, 2020	\$ (2,504)

The Company expects to reclassify approximately \$1.9 million into earnings in the next 12 months.

Based on these assumptions, management believes the fair market values of the Company's financial instruments are not significantly different from their recorded amounts as of August 30, 2020 and May 31, 2020.

**Investment in Non-Public Company**

On February 15, 2011, the Company made its initial investment in Windset which is reported as an Investment in non-public company, fair value, in the accompanying Consolidated Balance Sheets as of August 30, 2020 and May 31, 2020. The Company has elected to account for its investment in Windset under the fair value option. See Note 2 – Investment in Non-public Company, for further information.

## **Assets Held for Sale**

In January 2020, the Company decided to divest Curation Foods' salad dressing plant in Ontario, California ("Ontario"). In the third quarter of fiscal year 2020, the Company (1) designated the fixed assets of its office and manufacturing space located in Ontario, California, as assets held for sale, and (2) recognized a \$10.9 million impairment loss. The remaining fair value of \$2.6 million is included in Property and equipment, net within the Consolidated Balance Sheet as of May 31, 2020. Liabilities of \$0.3 million and \$2.9 million related to these assets are included in Current portion of lease liabilities and Long-term lease liabilities, respectively, within the Consolidated Balance Sheet as of May 31, 2020. In the first quarter of fiscal year 2021, the Company sold its interest in Ontario. The Company received net cash proceeds of \$4.9 million in connection with the sale, and recorded a gain of \$2.8 million during the three months ended August 30, 2020, which is included in Restructuring costs within the Consolidated Statements of Comprehensive (Loss) Income.

On June 25, 2020 the Board of Directors approved a plan to close Curation Foods' underutilized manufacturing operations in Hanover, Pennsylvania ("Hanover"), sell the building and assets related thereto, and consolidate its operations into its manufacturing facilities in Guadalupe, California and Bowling Green, Ohio. The \$17.2 million carrying value of these assets is included in Property and equipment, net on the consolidated Balance Sheets as of May 31, 2020, and was not classified as assets held for sale as the plan to sell was not finalized until subsequent to fiscal year end 2020. In the first quarter of fiscal year 2021, the Company (1) designated the property and equipment of Hanover as assets held for sale, (2) recognized an \$8.8 million impairment loss, which is included in Restructuring costs within the Consolidated Statements of Comprehensive (Loss) Income, and (3) reclassified the remaining net carrying value of \$8.0 million from Property and equipment, net to Prepaid expenses and other current assets within the Consolidated Balance Sheet as of August 30, 2020. Subsequent to the end of the Company's first quarter of fiscal year 2021, the Company sold the Hanover building and assets related thereto for net proceeds of \$8.0 million.

## **Leases**

Under Topic 842, the Company determines if an arrangement is a lease at inception. Right-of-use ("ROU") assets and liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. As most of the leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is a quoted rate based on the understanding of what the Company's credit rating would be. Certain agreements may contain the option to extend the lease term, terminate the lease before the contractual expiration date, or purchase the leased asset. The Company, when reasonably certain to exercise the option, considers these options in determining the measurement of the lease. The Company's lease agreements do not contain any material residual value guarantees.

The Company's lease agreements generally contain lease and non-lease components. Non-lease components primarily include payments for maintenance and utilities. The Company combines fixed payments for non-lease components with lease payments and accounts for them together as a single lease component which increases the amount of lease assets and liabilities.

Payments under lease arrangements are primarily fixed; however, certain lease agreements contain variable payments, which are expensed as incurred and are not included in the operating lease assets and liabilities. These amounts primarily include payments affected by changes in price indices.

## **Intangible Assets**

The Company's intangible assets are comprised of customer relationships with a finite estimated useful life ranging from 11 years to 13 years, and trademarks/tradenames and goodwill with indefinite useful lives.

Finite-lived intangible assets are reviewed for possible impairment whenever events or changes in circumstances occur that indicate that the carrying amount of an asset (or asset group) may not be recoverable. Indefinite lived intangible assets are reviewed for impairment at least annually. For goodwill and other indefinite-lived intangible assets, the Company performs a qualitative impairment analysis in accordance with ASC 350-30-35.

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

The Company provides health insurance benefits to eligible employees under self-insured plans whereby the Company pays actual medical claims subject to certain stop loss limits and self-insures its worker's compensation claims. The Company records self-insurance liabilities based on actual claims filed and an estimate of those claims incurred but not reported. Any projection of losses concerning the Company's liability is subject to a high degree of variability. Among the causes of this variability are unpredictable external factors such as inflation rates, changes in severity, benefit level changes, medical costs, and claims settlement patterns. This self-insurance liability is included in Other accrued liabilities in the accompanying Consolidated Balance Sheets and represents management's best estimate of the amounts that have not been paid as of August 30, 2020 and May 31, 2020. It is reasonably possible that the expense the Company ultimately incurs could differ and adjustments to future reserves may be necessary. As of June 1, 2020, the Company ceased to provide health insurance benefits under a self-insured plan, and instead provides health insurance under a premium-based health plan.

## **Business Interruption Insurance Recoveries**

In the third quarter of fiscal year 2019, the Company recalled five SKUs of Eat Smart single-serve Salad Shake-Ups!™. In the fourth quarter of fiscal year 2019, the Company submitted a product recall claim. During the three months ended August 30, 2020 and August 25, 2019, the Company recognized \$0.0 million and \$2.4 million of business interruption insurance recoveries, respectively. Amounts received on insurance recoveries related to business interruption are recorded as a reduction to Cost of product sales in the Consolidated Statements of Comprehensive (Loss) Income and are classified as operating cash flows.

## **Fair Value Measurements**

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

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

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

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

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

As of August 30, 2020 and May 31, 2020, the Company held certain assets and liabilities that are required or it elected to be measured at fair value on a recurring basis, including its interest rate swap contracts and its minority interest investment in Windset.

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

As of August 30, 2020 and May 31, 2020, the Company held certain assets that were required to be measured at fair value on a non-recurring basis. The fair market value of the assets held for sale, less the costs to sell, was \$8.0 million and \$2.6 million as of August 30, 2020 and May 31, 2020, respectively. The fair market value of Hanover (classified as an asset held for sale) as of August 30, 2020, was based on the actual subsequent to quarter end sales price, and therefore was classified within Level 1. The fair market value of Ontario (classified as an asset held for sale) as of May 31, 2020, was based on third-party valuations, which primarily used the market approach, and the inputs utilized were comparable sales of similar assets, which are generally unobservable and are supported by little or no market data, and therefore were classified within Level 3.

The Company has elected the fair value option of accounting for its investment in Windset. The calculation of fair value utilizes significant unobservable inputs, including projected cash flows, growth rates, and discount rates. As a result, the Company's investment in Windset is considered to be a Level 3 measurement investment. The change in the fair value of the Company's investment in Windset for the three months ended August 30, 2020, was due to the Company's 26.9% minority interest in the change in the fair market value of Windset during the period.

In determining the fair value of the investment in Windset, the Company utilizes the following significant unobservable inputs in the discounted cash flow models:

	August 30, 2020 Range (Weighted Average)	May 31, 2020 Range (Weighted Average)
Revenue growth rates	6% to 7% (6.4%)	6% to 7% (6.4%)
Expense growth rates	6% to 8% (6.6%)	6% to 8% (6.6%)
Income tax rates	15%	15%
Discount rates	12%	12%

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

(In thousands)	Impact on value of investment in Windset as of August 30, 2020
10% increase in revenue growth rates	\$ 1,100
10% increase in expense growth rates	\$ (800)
10% increase in income tax rates	\$ (300)
10% increase in discount rates	\$ (2,200)

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

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

(In thousands)	Fair Value at August 30, 2020			Fair Value at May 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets:</b>						
Assets held for sale - nonrecurring	\$ 8,027	\$ —	\$ —	\$ —	\$ —	\$ 2,607
Investment in non-public company	—	—	56,900	—	—	56,900
Total assets	\$ 8,027	\$ —	\$ 56,900	\$ —	\$ —	\$ 59,507
<b>Liabilities:</b>						
Interest rate swap contracts	\$ —	\$ 3,154	\$ —	\$ —	\$ 3,578	\$ —
Total liabilities	\$ —	\$ 3,154	\$ —	\$ —	\$ 3,578	\$ —

The following table reflects the fair value roll forward reconciliation of Level 3 assets and liabilities measured at fair value for the three months ended August 30, 2020:

(In thousands)	Windset Investment
Balance as of May 31, 2020	\$ 56,900
Fair value change	—
Balance as of August 30, 2020	\$ 56,900

## Revenue Recognition

The Company follows the five step, principles-based model to recognize revenue upon the transfer of promised goods or services to customers and in an amount that reflects the consideration for which the Company expects to be entitled in exchange for those goods or services. Revenue, net of estimated allowances and returns, is recognized when the Company has completed its performance obligations under a contract and control of the product is transferred to the customer. Substantially all revenue is recognized at the time shipment is made or upon delivery as control of the product is transferred to the customer. Revenue for development service contracts are generally recognized based upon the labor hours expended relative to the total expected hours as a measure of progress to depict transfer of control of the service over time. The services are not distinct and are accounted for as a single performance obligation for each customer.

For descriptions of the Company's product offerings and segments refer to Note 11 – Business Segment Reporting in our annual report on Form 10-K for the year ended May 31, 2020.

The Company's standard terms of sale are generally included in its contracts, purchase orders, and invoices. As such, all revenue is considered revenue recognized from contracts with customers. Shipping and other transportation costs charged to customers are recorded in both revenue and cost of goods sold. The Company has elected to account for shipping and handling as fulfillment activities, and not as a separate performance obligation. The Company's standard payment terms with its customers generally range from 30 days to 90 days. Certain customers may receive cash-based incentives (including: volume rebates, discounts, and promotions), which are accounted for as variable consideration to the Company's performance obligations. The Company estimates these sales incentives based on the expected amount to be provided to its customers and reduces revenues recognized towards its performance obligations. The Company does not anticipate significant changes in its estimates for variable consideration.

The Company disaggregates its revenue by segment product lines based on how it markets its products and reviews results of operations. The following tables disaggregate segment revenue by major product lines:

(In thousands)

	Three Months Ended	
	August 30, 2020	August 25, 2019
<b>Curation Foods:</b>		
Fresh packaged salads and vegetables	\$ 96,179	\$ 109,831
Avocado products	17,017	16,200
Technology	643	642
Total	\$ 113,839	\$ 126,673

(In thousands)

	Three Months Ended	
	August 30, 2020	August 25, 2019
<b>Lifecore:</b>		
Contract development and manufacturing organization	\$ 16,488	\$ 11,303
Fermentation	5,316	738
Total	\$ 21,804	\$ 12,041

## Contract Assets and Liabilities

Contract assets primarily relate to the Company's conditional right to consideration for work completed but not billed at the reporting date. The Company's contract assets as of August 30, 2020 and May 31, 2020, were \$9.1 million and \$9.0 million, respectively.

Contract liabilities primarily relate to payments received from customers in advance of performance under the contract. The Company's contract liabilities as of August 30, 2020 and May 31, 2020, were \$0.0 million and \$0.0 million, respectively. Revenue recognized during the three months ended August 30, 2020, that was included in the contract liability balance at the beginning of fiscal year 2021, was \$0.0 million.

## Shipping and Handling Costs

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

## Legal Contingencies

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

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

### *Claims Alleging Unfair Labor Practices*

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

The legal actions consisted of various claims, all of which were settled in fiscal year 2017. Under the settlement agreement, the plaintiffs were to be paid in three installments. The Company and Pacific Harvest each agreed to pay one half of the settlement payments. The Company paid the entire first two installments and Pacific Harvest agreed to reimburse the Company for its \$2.1 million portion. As of May 31, 2020, the outstanding balance of the receivable was \$1.2 million. The Company makes ongoing estimates relating to the collectability of receivables. A reserve is established for any note when there is reasonable doubt that the principal or interest will be collected in full. The Company may write-off uncollectable receivables after collection efforts are exhausted. During the fiscal year 2020, the Company's review for collectability concluded that a receivable reserve of \$1.2 million would be recorded. The Company's conclusion regarding collectability changed as a result of Pacific Harvest communicating their refusal to pay combined with their bringing claims against the Company. As of August 30, 2020, the reserve balance remained at \$1.2 million.

### *Compliance Matters and Related Litigation*

On December 1, 2018, the Company acquired all of the voting interests and substantially all of the assets of Yucatan Foods (the "Yucatan Acquisition"), which owns a guacamole manufacturing plant in Mexico called Procesadora Tanok, S de RL de C.V. ("Tanok").

On October 21, 2019, the Company retained Latham & Watkins, LLP to conduct an internal investigation relating to potential environmental and Foreign Corrupt Practices Act ("FCPA") compliance matters associated with regulatory permitting at the Tanok facility in Mexico. The Company subsequently disclosed to the SEC and the U.S. Department of Justice ("DOJ") the conduct under investigation, and these agencies have commenced an investigation. The Company has also disclosed the conduct under investigation to the Mexican Attorney General's Office, which has commenced an investigation, and to Mexican regulatory agencies. The Company is cooperating in the government investigations and requests for information. The conduct at issue began prior to the Yucatan Acquisition, and the agreement for the Yucatan Acquisition provides the Company with certain indemnification rights that may allow the Company to recover the cost of a portion of the liabilities that have been and may be incurred by the Company in connection with these compliance matters. On September 2, 2020, one of the former owners of Yucatan filed a lawsuit against the Company in Los Angeles County Superior Court for breach of employment agreement, breach of contract, breach of holdback agreement, declaratory relief and accounting, and related claims. The Plaintiff seeks over \$10.0 million in damages, including delivery of shares of his stock held in escrow for the indemnification claims described above. The Company intends to contest this lawsuit vigorously and to pursue its indemnification claims against all former owners of Yucatan.

At this stage, the ultimate outcome of these or any other investigations, legal actions, or potential claims that may arise from the matters under investigation is uncertain and the Company cannot reasonably predict the timing or outcomes, or estimate the amount of net loss after indemnification or insurance recovery, or its effect, if any, on its financial statements. Separately, there are indemnification provisions in the purchase agreement that allow the Company to recover costs for breach of warranty, etc. from the seller. Because recovery of amounts are contingent upon the outcome of legal proceedings, no amounts have been recorded as recoverable costs through August 30, 2020. Nor are there any insurance claims recorded as they are similarly contingent.

#### *Other Litigation Matters*

On February 10, 2020, a complaint was filed against Curation Foods in the United States District Court for the Northern District of Georgia, *Printpack, Inc. v. Curation Foods, Inc.*, alleging breach of contract pertaining to Curation Foods' purchase of certain poly film packaging from the plaintiff. The plaintiff sought an unspecified amount of monetary damages, litigation expenses, and interest. The lawsuit was dismissed during the first quarter of fiscal year 2021.

On February 14, 2020, a complaint was filed against the Company, Curation Foods, the Company's current CEO Albert Bolles, the Company's former Chief Financial Officer Gregory Skinner, and other defendants (collectively, the "Landec Parties") in Santa Barbara County Superior Court, entitled *Pacific Harvest, Inc., et al. v. Curation Foods, Inc., et al.* (No. 20CV00920). The case was brought by Pacific Harvest, Inc. ("Pacific") and Rancho Harvest, Inc. ("Rancho"), two related companies that have provided labor and employee staffing services to Curation Foods. Among other things, Pacific and Rancho allege that Curation Foods wrongfully decreased its use of Pacific's staffing services and misappropriated Pacific's trade secrets when Curation Foods increased its use of another staffing company and transitioned Pacific's employees to the other staffing company. Pacific and Rancho also allege that Curation Foods breached agreements between the parties related to a loan from Curation Foods. Based on this alleged breach, Pacific and Rancho have ceased making payments. Plaintiffs assert claims for breach of contract, breach of the implied covenant of good faith and fair dealing, intentional interference with contracts and potential economic advantage, misappropriation of trade secrets under California's Uniform Trade Secrets Act, business practices in violation of California Unfair Competition Law, fraud, defamation, violation of California Usury Law, breach of fiduciary duty, and declaratory relief regarding the parties' rights and obligations under certain of the parties' contracts. The Landec Parties' deadline to respond to the complaint is currently set for October 21, 2020. Given the preliminary stage of the litigation, at this time the Company is unable to determine whether any loss is probable or reasonably estimate a range of such loss, and accordingly has not accrued any liability associated with these matters. The Company intends to defend and pursue its interests in this case vigorously.

#### **Recent Accounting Guidance**

##### **Recently Adopted Pronouncements**

##### *Cloud Computing Arrangements*

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract* ("ASU 2018-15"), which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in Accounting Standards Codification 350-40 to determine which implementation costs to defer and recognize as an asset. The Accounting Standards Update generally aligns the guidance on recognizing implementation costs incurred in a cloud computing arrangement that is a service contract with that for implementation costs incurred to develop or obtain internal-use software, including hosting arrangements that include an internal-use software license. ASU 2018-15 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application is permitted. The Company adopted ASU 2018-15 on June 1, 2020, and the adoption of this standard did not have an impact on the Company's consolidated financial statements.

##### *Fair Value Measurement*

In August 2018, the FASB issued ASU 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). The guidance eliminates, adds, and modifies certain disclosure requirements for fair value measurements. Entities will no longer have to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company adopted ASU 2018-13 on June 1, 2020, and the adoption of this standard did not have an impact on the Company's consolidated financial statements. As required by ASU 2018-13, the Company included additional disclosures in the Fair Value Measurement section related to the range and weighted average rates used to develop significant inputs for the Level 3 investment.



## *Financial Instruments – Credit Losses*

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments —Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), which requires measurement and recognition of expected credit losses for financial assets held. Effective June 1, 2020, the Company adopted ASC 326 using the transition method introduced by ASU 2016-13. The adoption of ASC 326 did not have a material impact on our consolidated financial statements.

Under ASC 326, the Company changed its policy for assessing credit losses to include consideration of a broader range of information to estimate credit losses over the life of its financial assets. As of August 30, 2020 the financial assets of the Company within the scope of the assessment comprised of trade accounts receivable, contract assets, and deposits. See the Accounts Receivable and Sales Returns and Allowance for Credit Losses section within Note 1 for further discussion of the Company’s accounting for credit losses.

## **2. Investment in Non-public Company**

On February 15, 2011, Curation Foods entered into a share purchase agreement (the “Windset Purchase Agreement”) with Windset. Pursuant to the Windset Purchase Agreement, Curation Foods purchased from Windset 150,000 Senior A preferred shares for \$15.0 million and 201 common shares for \$201. On July 15, 2014, Curation Foods increased its investment in Windset by purchasing from the Newell Capital Corporation an additional 68 common shares and 51,211 junior preferred shares of Windset for \$11.0 million. After this purchase, the Company’s common shares represent a 26.9% ownership interest in Windset. The Senior A preferred shares yield a cash dividend of 7.5% annually. The dividend is payable within 90 days of each anniversary of the execution of the Windset Purchase Agreement. The non-voting junior preferred stock does not yield a dividend unless declared by the Board of Directors of Windset and no such dividend has been declared.

The Shareholders’ Agreement between Curation Foods and Windset, as amended on March 15, 2017, includes a put and call option (the “Put and Call Option”), which can be exercised on or after March 31, 2022, whereby Curation Foods can exercise the put to sell its common, Senior A preferred shares, and junior preferred shares to Windset, or Windset can exercise the call to purchase those shares from Curation Foods, in either case, at a price equal to 26.9% of the fair market value of Windset’s common shares, plus the liquidation value of the preferred shares of \$20.1 million (\$15.0 million for the Senior A preferred shares and \$5.1 million for the junior preferred shares). Under the terms of the arrangement with Windset, the Company is entitled to designate one of five members on the Board of Directors of Windset.

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

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

During the three months ended August 30, 2020 and August 25, 2019, the Company recorded \$0.3 million and \$0.3 million, respectively, in dividend income. The increase in the fair market value of the Company’s investment in Windset for the three months ended August 30, 2020 and August 25, 2019, was \$0.0 million and \$0.0 million, respectively and is included in Other expenses (income) in the accompanying Consolidated Statements of Comprehensive (Loss) Income.

## **3. Stock-based Compensation and Stockholders' Equity**

### *Stock-Based Compensation Activity*

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

During the three months ended August 30, 2020, the Company granted 551,600 options to purchase shares of common stock and awarded 88,531 RSUs.

As of August 30, 2020, the Company has reserved 4.2 million shares of common stock for future issuance under its current and former equity plans.

#### *Stock-Based Compensation Expense*

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

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

<i>(In thousands)</i>	Three Months Ended	
	August 30, 2020	August 25, 2019
Cost of sales	\$ 123	\$ (26)
Research and development	64	30
Selling, general and administrative	705	524
Total stock-based compensation	<u>\$ 892</u>	<u>\$ 528</u>

As of August 30, 2020, there was \$5.4 million of total unrecognized compensation expense related to unvested equity compensation awards granted under the Landec incentive stock plans. Total expense is expected to be recognized over the weighted-average period of 2.56 years for stock options and 1.58 years for RSUs.

#### *Stock Repurchase Plan*

On July 14, 2010, the Board of Directors of the Company approved the establishment of a stock repurchase plan, which allows for the repurchase of up to \$10.0 million of the Company's common stock. The Company may still repurchase up to \$3.8 million of the Company's common stock under the Company's stock repurchase plan. The Company may repurchase its common stock from time to time in open market purchases or in privately negotiated transactions. The timing and actual number of shares repurchased is at the discretion of management of the Company and will depend on a variety of factors, including stock price, corporate and regulatory requirements, market conditions, the relative attractiveness of other capital deployment opportunities and other corporate priorities. The stock repurchase program does not obligate Landec to acquire any amount of its common stock and the program may be modified, suspended or terminated at any time at the Company's discretion without prior notice. During the three months ended August 30, 2020, the Company did not purchase any shares on the open market.

#### **4. Diluted Earnings Per Share**

The following table sets forth the computation of diluted earnings per share:

<i>(In thousands, except per share amounts)</i>	Three Months Ended	
	August 30, 2020	August 25, 2019
<b>Numerator:</b>		
Net loss applicable to common stockholders	\$ (11,000)	\$ (4,784)
<b>Denominator:</b>		
Weighted average shares for basic net loss per share	29,242	29,139
<b>Effect of dilutive securities:</b>		
Stock options and restricted stock units	—	—
Weighted average shares for diluted net loss per share	<u>29,242</u>	<u>29,139</u>
Diluted net loss per share	<u>\$ (0.38)</u>	<u>\$ (0.16)</u>

Due to the Company's net loss for the three months ended August 30, 2020 and August 25, 2019, the net loss per share includes only weighted average shares outstanding. For the three months ended August 30, 2020 and August 25, 2019, the computation of the diluted net loss per share excludes the impact of options to purchase 2.2 million and 2.6 million shares of common stock, respectively, as such impacts would be antidilutive for these periods.

## 5. Income Taxes

The provision for income taxes for the three months ended August 30, 2020 and August 25, 2019, was a benefit of \$4.3 million and \$1.4 million, respectively. The effective tax rate for the three months ended August 30, 2020 and August 25, 2019 was 28% and 22%, respectively. The effective tax rate for the three months ended August 30, 2020, was higher than the statutory federal income tax rate of 21% primarily due to the generation of federal & state research and development ("R&D") credits and movements of the valuation allowance recorded against certain deferred tax assets, partially offset by the impact of state taxes and stock based compensation.

As of August 30, 2020 and May 31, 2020, the Company had unrecognized tax benefits of \$0.9 million and \$0.8 million, respectively. Included in the balance of unrecognized tax benefits as of August 30, 2020 and May 31, 2020, is \$0.8 million and \$0.7 million, respectively, of tax benefits that, if recognized, would result in an adjustment to the Company's effective tax rate. The Company does not expect its unrecognized tax benefits to change significantly within the next twelve months.

The Company has elected to classify interest and penalties related to uncertain tax positions as a component of its provision for income taxes. The Company has accrued an insignificant amount of interest and penalties relating to the income tax on the unrecognized tax benefits as of August 30, 2020 and May 31, 2020.

Due to tax attribute carryforwards, the Company is subject to examination for tax years 2017 forward for U.S. tax purposes. The Company is also subject to examination in various state jurisdictions for tax years 2015 forward, none of which were individually significant.

## 6. Debt

Long-term debt, net consists of the following:

<i>(In thousands)</i>	August 30, 2020	May 31, 2020
Term loan	\$ 106,000	\$ 114,000
Total principal amount of long-term debt	106,000	114,000
Less: unamortized debt issuance costs	(1,054)	(1,083)
Total long-term debt, net of unamortized debt issuance costs	104,946	112,917
Less: current portion of long-term debt, net	(11,027)	(11,554)
Long-term debt, net	<u>\$ 93,919</u>	<u>\$ 101,363</u>

On September 23, 2016, the Company entered into a Credit Agreement with JPMorgan, BMO, and City National Bank, as lenders (collectively, the "Lenders"), and JPMorgan as administrative agent, pursuant to which the Lenders provided the Company with a \$100.0 million revolving line of credit (the "Revolver") and a \$50.0 million term loan facility (the "Term Loan"), guaranteed by each of the Company's direct and indirect subsidiaries and secured by substantially all of the Company's assets, with the exception of the Company's investment in Windset.

On November 30, 2018, the Company entered into the Fourth Amendment to the Credit Agreement, which increased the Term Loan to \$100.0 million and the Revolver to \$105.0 million.

On October 25, 2019, the Company entered into the Sixth Amendment to the Credit Agreement, which increased the Term Loan to \$120.0 million and decreased the revolver to \$100.0 million.

On March 19, 2020, the Company entered into the Seventh Amendment to the Credit Agreement (the "Seventh Amendment"), which among other changes, retroactively increased the maximum Total Leverage Ratio (as defined in the Credit Agreement as the ratio of the Company's total indebtedness on such date to the Company's consolidated EBITDA for the period of four consecutive fiscal quarters ended on or most recently prior to such date) to 5.75 to 1.00 for the fiscal quarter ended February 23, 2020, which decreases back to 5.00 to 1.00 for the fiscal quarter ending May 31, 2020. The maximum Total Leverage Ratio thereafter decreases by 25 basis points each subsequent fiscal quarter thereafter, until it reaches 3.50 for the fiscal quarter ending November 28, 2021, and then remains fixed through maturity. The Seventh Amendment also introduced additional financial covenants that remain in effect through May 31, 2020, including minimum cumulative monthly Unadjusted EBITDA thresholds and maximum capital expenditures, as well as additional reporting requirements and frequencies. Interest on both the Revolver and the Term Loan continued to be based upon the Company's Total Leverage Ratio, at a per annum rate of either (i) the prime rate plus a spread of between 0.25% and 3.00% or (ii) the Eurodollar rate plus a spread of between 1.25% and 4.00%. The Seventh Amendment also provided for the acceleration of the maturity of the Term Loan from October 25, 2022 to September 23, 2021 if the Company fails to be in compliance with certain financial covenants.

On July 15, 2020, the Company entered into the Eighth Amendment to the Credit Agreement (the "Eighth Amendment"), which among other things, (i) modified the definition of EBITDA to increase the limit on permitted exclusions for certain unusual, extraordinary or one-time cash items for each fiscal quarter ending on or after February 28, 2021, to a maximum of 20% of EBITDA, and (ii) restricted the Company from making Capital Expenditures over certain thresholds. Interest continues to be based on the Company's Total Leverage Ratio, now at a revised per annum Applicable Rate of either (i) the prime rate plus a spread of between 0.75% and 3.50% or (ii) the Eurodollar rate plus a spread of between 1.75% and 4.50%, plus, in each case, a commitment fee, as applicable, of between 0.15% and 0.55%, as further described in the Eighth Amendment.

The Credit Agreement provides the Company the right to increase the Revolver commitments and/or the Term Loan commitments by obtaining additional commitments either from one or more of the Lenders or another lending institution at an amount of up to \$10.0 million.

Both the Revolver and the Term Loan mature on September 23, 2021, with the Term Loan requiring quarterly principal payments of \$3.0 million and the remainder continuing to be due at maturity. The Credit Agreement contains customary financial covenants and events of default under which the obligation could be accelerated and/or the interest rate increased. As of August 30, 2020, the Company was in compliance with all financial covenants and events of default provisions under the Credit Agreement.

As of August 30, 2020, \$69.0 million was outstanding on the Revolver, at an interest rate of 4.66%.

The Company's outstanding indebtedness under the Credit Agreement will mature and become due on September 23, 2021. The Company's currently available liquidity plus the expected additional cash generated by operations prior to that maturity date are not expected to be sufficient to pay such debt obligations prior to or at the maturity date without additional financing. Management is actively pursuing refinancing options and is currently in discussions with several third-party lenders to seek to negotiate a refinancing that would extend the maturity of the Company's indebtedness and provide greater flexibility for the Company. Management believes its current refinancing plans are probable to occur and appropriately mitigate the risk that the Company will not be able to meet its obligations as they become due. Therefore, the financial statements have been prepared assuming the Company will continue as a going concern. The Company believes that its cash from operations, along with existing cash and cash equivalents, will be sufficient to finance its operational and capital requirements for at least the next twelve months, assuming the Company is able to execute its plan to refinance its debt. However, there is no guarantee we will be able to refinance, or be able to do so on favorable terms. See Item 1A. "Risk Factors" for more information.

#### *Derivative Instruments*

On November 1, 2016, the Company entered into an interest rate swap contract (the "2016 Swap") with BMO at a notional amount of \$50.0 million. The 2016 Swap has the effect of changing the Company's Term Loan obligation from a variable interest rate to a fixed 30-day LIBOR rate of 1.22%.

On June 25, 2018, the Company entered into an interest rate swap contract (the "2018 Swap") with BMO at a notional amount of \$30.0 million. The 2018 Swap has the effect of converting the first \$30.0 million of the total outstanding amount of the Company's 30-day LIBOR borrowings from a variable interest rate to a fixed 30-day LIBOR rate of 2.74%.

On December 2, 2019, the Company entered into an interest rate swap contract (the "2019 Swap") with BMO at a notional amount of \$110.0 million which decreases quarterly. The 2019 Swap has the effect of converting primarily all of the \$110.0 million of the total outstanding amount of the Company's 30-day LIBOR borrowings from a variable interest rate to a fixed 30-day LIBOR rate of 1.526%.

## 7. Business Segment Reporting

The Company operates using three strategic reportable business segments, aligned with how the Chief Executive Officer, who is the chief operating decision maker (“CODM”), manages the business: the Curation Foods segment, the Lifecore segment, and the Other segment.

The Curation Foods business includes (i) four natural food brands, including Eat Smart, O Olive Oil & Vinegar, Yucatan Foods, and Cabo Fresh, (ii) BreatheWay® activities, and (iii) activity related to our 26.9% investment in Windset. The Curation Foods segment includes (a) activities to market and pack specialty packaged whole and fresh-cut fruits and vegetables, the majority of which incorporate the BreatheWay specialty packaging under either the Eat Smart brand or various private labels, (b) O brand of olive oils and vinegars, and (c) Yucatan Foods and Cabo Fresh brand of avocado products.

The Lifecore segment sells products utilizing hyaluronan, a naturally occurring polysaccharide that is widely distributed in the extracellular matrix of connective tissues in both animals and humans, and non-HA products for medical use primarily in the Ophthalmic, Orthopedic and other markets.

The Other segment includes corporate general and administrative expenses, non-Curation Foods and non-Lifecore interest expense, interest income, and income tax expenses. Corporate overhead is allocated between segments based on actual utilization and relative size.

All of the Company's assets are located within the United States of America except for its Yucatan production facility in Mexico.

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

<i>(In millions)</i>	Three Months Ended	
	August 30, 2020	August 25, 2019
Canada	\$ 16.5	\$ 20.7
Belgium	3.9	—
Ireland	0.8	1.4
All Other Countries	1.7	1.7

Operations by business segment consisted of the following:

<i>(In thousands)</i>	Curation Foods		Lifecore		Other		Total	
<b><u>Three Months Ended August 30, 2020</u></b>								
Net sales	\$	113,839	\$	21,804	\$	—	\$	135,643
Gross profit		11,345		5,002		—		16,347
Net (loss) income		(8,271)		112		(2,841)		(11,000)
Depreciation and amortization		3,410		1,310		28		4,748
Dividend income		281		—		—		281
Interest income		—		—		8		8
Interest expense		1,376		—		1,733		3,109
Income tax (benefit) expense		(2,612)		35		(1,732)		(4,309)
Corporate overhead allocation		1,856		1,403		(3,259)		—
<b><u>Three Months Ended August 25, 2019</u></b>								
Net sales	\$	126,673	\$	12,041	\$	—	\$	138,714
Gross profit		12,822		2,514		—		15,336
Net loss		(2,171)		(1,395)		(1,218)		(4,784)
Depreciation and amortization		3,205		1,185		23		4,413
Dividend income		281		—		—		281
Interest income		20		—		5		25
Interest expense		1,376		—		699		2,075
Income tax benefit		(586)		(465)		(314)		(1,365)
Corporate overhead allocation		1,696		976		(2,672)		—

During the three months ended August 30, 2020 and August 25, 2019, sales to the Company's top five customers accounted for 51% and 49% of sales, respectively. The Company's top two customers, Costco Wholesale Corporation and Walmart Stores, Inc., from the Curation Foods segment, accounted for 19% and 14%, respectively, of revenues for the three months ended August 30, 2020, and 14% and 20%, respectively, for the three months ended August 25, 2019.

## 8. Restructuring Costs

During fiscal year 2020, the Company announced a restructuring plan to drive enhanced profitability, focus the business on its strategic assets and redesign the organization to be the appropriate size to compete and thrive. This includes a reduction-in-force, a reduction in leased office spaces, and the sale of non-strategic assets.

In the first quarter of fiscal year 2021, the Company sold its interest in Ontario. The Company received net cash proceeds of \$4.9 million in connection with the sale, and recorded a gain of \$2.8 million which is included in Restructuring costs within the Consolidated Statements of Comprehensive (Loss) Income. See the Assets Held for Sale section within Note 1 for additional information.

In the first quarter of fiscal year 2021, the Company recognized a \$8.8 million impairment loss related to its Hanover building and related assets thereto, which is included in Restructuring costs within the Consolidated Statements of Comprehensive (Loss) Income. See the Assets Held for Sale section within Note 1 for additional information.

In August 2020, the Company closed its leased Santa Clara, California office and entered into a sublease agreement. In the fourth quarter of fiscal year 2020 the Company closed its leased Los Angeles, California office and plans to sublease the office.

The following table summarizes the restructuring costs recognized in the Company's Consolidated Statements of (Loss) Income, by Business Segment:

<i>(in thousands)</i>	Curation Foods	Lifecore	Other	Total
<b>Three Months Ended August 30, 2020</b>				
Asset write-off costs, net	\$ 6,005	\$ —	\$ —	\$ 6,005
Employee severance and benefit costs	905	—	—	905
Lease costs	—	—	—	—
Other restructuring costs	847	—	647	1,494
<b>Total restructuring costs</b>	<b>\$ 7,757</b>	<b>\$ —</b>	<b>\$ 647</b>	<b>\$ 8,404</b>

The following table summarizes the restructuring costs recognized in the Company's Consolidated Statements of (Loss) Income, by Business Segment, since inception of the restructuring plan in fiscal year 2020 through the three months ended August 30, 2020:

<i>(in thousands)</i>	Curation Foods	Lifecore	Other	Total
Asset write-off costs, net	\$ 18,667	\$ —	\$ 418	\$ 19,085
Employee severance and benefit costs	2,373	—	784	3,157
Lease costs	392	—	26	418
Other restructuring costs	1,871	—	1,158	3,029
<b>Total restructuring costs</b>	<b>\$ 23,303</b>	<b>\$ —</b>	<b>\$ 2,386</b>	<b>\$ 25,689</b>

The total expected cost related to the restructuring plan is approximately \$27.0 million.

## 9. Subsequent Events

### *Hanover, Pennsylvania Manufacturing Facility*

As previously disclosed in the Assets Held for Sale section within Note 1, the Company made plans to sell its Hanover facility. Subsequent to the end of the Company's first fiscal quarter, on September 4, 2020, the Company sold the Hanover building and assets related thereto for net proceeds of \$8.0 million. The Company does not expect any additional impact to earnings during its second quarter of fiscal year 2021 related to this sale.

### *COVID-19 Pandemic*

There are many uncertainties regarding the current novel coronavirus ("COVID-19") pandemic, including the scope of scientific and health issues, the anticipated duration of the pandemic, and the extent of local and worldwide social, political, and economic disruption it may cause. The COVID-19 pandemic as well as the actions taken in response to the pandemic, have had, and we believe will continue to have, significant adverse impacts on many aspects of the Company's operations, directly and indirectly, including with respect to sales, customer behaviors, business and manufacturing operations, inventory, the Company's employees, and the market generally, and the scope and nature of these impacts continue to evolve each day. The Company expects to continue to assess the evolving impact of the COVID-19 pandemic, and intends to continue to make adjustments to its responses accordingly.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion should be read in conjunction with the unaudited consolidated financial statements and accompanying notes included in Part I, Item 1, of this Form 10-Q and the audited consolidated financial statements and accompanying notes and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in Landec’s Annual Report on Form 10-K for the fiscal year ended May 31, 2020.

This Quarterly Report on Form 10-Q, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements regarding future events and our future results that are subject to the safe harbor created under the Private Securities Litigation Reform Act of 1995 and other safe harbors under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Words such as “anticipate”, “estimate”, “expect”, “project”, “plan”, “intend”, “believe”, “may”, “might”, “will”, “should”, “can have”, “likely” and similar expressions are used to identify forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected. Potential risks and uncertainties include, without limitation, the timing and expenses associated with operations, the ability to achieve acceptance of our new products in the market place, weather conditions that can affect the supply and price of produce, government regulations affecting our business, uncertainties related to COVID-19 and the impact of our responses to it, the timing of regulatory approvals, the ability to successfully integrate Yucatan Foods into the Curation Foods business, the mix between domestic and international sales, and those other risks mentioned in this report and in our Annual Report on Form 10-K for the fiscal year ended May 31, 2020.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Accordingly, our actual results could differ materially from those projected in the forward-looking statements for many reasons, including the risk factors listed in Item 1A. “Risk Factors” and in our Annual Report on Form 10-K for the fiscal year ended May 31, 2020.

All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements as well as others made in this report, our Annual Report on Form 10-K for the fiscal year ended May 31, 2020, and hereafter in our other SEC filings and public communications.

You should evaluate all forward-looking statements made by us in the context of all risks and uncertainties described with respect to our business. We caution you that the risks and uncertainties identified by us may not be all of the factors that are important to you. Furthermore, the forward-looking statements included in this report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

### **Critical Accounting Policies and Use of Estimates**

There have been no material changes to the Company’s critical accounting policies and use of estimates from those disclosed in the Company’s Form 10-K for the fiscal year ended May 31, 2020. For a discussion of our critical accounting policies and use of estimates, refer to Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Use of Estimates in Part II, Item 7 of the Company’s Annual Report on Form 10-K for the fiscal year ended May 31, 2020.

### **Recently Issued Accounting Pronouncements**

The Company is subject to several recently issued accounting pronouncements. Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies – Recently Adopted Accounting Pronouncements of the Notes to the Consolidated Financial Statements which is contained in Part I, Item 1 of this Quarterly Report on Form 10-Q, describes these new accounting pronouncements and is incorporated herein by reference.



## The Company

### Corporate Overview

Landec Corporation and its subsidiaries (“Landec,” the “Company”, “we” or “us”) design, develop, manufacture, and sell differentiated products for food and biomaterials markets, and license technology applications to partners.

Landec’s natural food company, Curation Foods, Inc. (“Curation Foods”) is focused on innovating and distributing plant-based foods with 100% clean ingredients to retail, club and foodservice channels throughout North America. Curation Foods is able to maximize product freshness through its geographically dispersed family of growers, refrigerated supply chain and patented BreatheWay® packaging technology.

Landec’s biomedical company, Lifecore Biomedical, Inc. (“Lifecore”), is a fully integrated CDMO that offers highly differentiated capabilities in the development, fill and finish of sterile, injectable pharmaceutical products in syringes and vials. As a leading manufacturer of premium, injectable grade Hyaluronic Acid, Lifecore brings 35 years of expertise as a partner for global and emerging biopharmaceutical and biotechnology companies across multiple therapeutic categories to bring their innovations to market.

Landec was incorporated in California on October 31, 1986 and reincorporated as a Delaware corporation on November 6, 2008. Landec’s common stock is listed on The NASDAQ Global Select Market under the symbol “LNDC”. The Company’s principal executive offices are located at 2811 Airpark Drive Santa Maria, California 93455, and the telephone number is (650) 306-1650.

### Reportable Segments

Landec has three reportable business segments – Curation Foods, Lifecore and Other, which are described below.

#### Curation Foods

##### *Curation Foods Overview*

Based in Santa Maria, California, Curation Foods’ primary business is the processing, marketing and selling of fresh packaged plant based salads and vegetables. Curation Foods serves as the corporate umbrella for its patented BreatheWay® packaging technology and for its portfolio of four natural food brands, including the Company’s legacy and flagship brand Eat Smart® as well as its three more recently acquired natural food brands, O Olive Oil & Vinegar® (“O”) products, and Yucatan® and Cabo Fresh authentic guacamole and avocado products. The major distinguishing characteristics of Curation Foods that provide a competitive advantage are its insight-driven product innovation, diversified fresh food supply chain, refrigerated supply chain and customer reach. We believe that Curation Foods is well positioned as a single source supplier of a broad range of products. Curation Foods also has three East Coast processing facilities and five East Coast distribution centers for nationwide delivery of its packaged salads and vegetable products. As of May 31, 2020, our products were available in over 86% of retail and club stores across North America.

During fiscal 2019, the Company redefined the strategy for its Curation Foods segment in order to improve the Company’s overall profitability by launching Project SWIFT, a value creation program designed to transform the Curation Foods business by simplifying the business, realigning its resources and seeking to improve the Company’s balance sheet through three strategic priorities - optimizing its operations networks, maximizing strategic assets and redesigning the organization to be more competitive.

##### *Curation Foods Brands*

*Eat Smart:* The Company sells specialty fresh packaged Eat Smart branded and private label salads, fresh-cut vegetables and whole produce to retailers, club stores, and food service operators, primarily in the United States and Canada. Within the Eat Smart brand, produce is processed by trimming, washing, sorting, blending, and packaging into bags and trays.

*O Olive Oil & Vinegar:* The Company acquired O on March 1, 2017. O, founded in 1995, is based in Petaluma, California, and is the premier producer of California specialty olive oils and wine vinegars. Its products are sold in natural food, conventional grocery and mass retail stores, primarily in the United States and Canada.

**Yucatan & Cabo Fresh Avocado Products:** The Company acquired Yucatan Foods on December 1, 2018. Yucatan Foods was founded in 1991. As part of the acquisition of Yucatan Foods, Curation Foods acquired the newly built production facility in Guanajuato, Mexico. The Yucatan Foods business added a double-digit growth platform, a lower-cost infrastructure in Mexico, and higher margin product offerings that generally exhibit less sourcing volatility. The Company manufactures and sells Yucatan and Cabo Fresh guacamole and avocado food products primarily to the U.S. grocery channel, but also to the U.S. mass retail, Canadian grocery retail and foodservice channels.

**BreatheWay Packaging Technology:** The Company's BreatheWay membrane technology establishes a beneficial packaging atmosphere adapting to changing fresh product respiration and temperature in order to extend freshness naturally. The BreatheWay supply chain packaging technology extends shelf-life and reduces shrink (waste) for retailers and helps to ensure that consumers receive fresh produce by the time the product makes its way through the distribution chain to the consumer. The Company generates revenue from the sale to and/or use of its BreatheWay patented packaging technology by partners such as Windset, for packaging of its greenhouse grown cucumbers and peppers. In addition, the Company sells its complete supply chain solution for fresh pallets of product ensuring more marketable fruit and vegetables at retail. Most vegetable products packaged in the Company's BreatheWay packaging technology achieve a shelf-life of approximately 17 days. These packaging license relationships generate revenues either from product sales or royalties once commercialized. The Company is engaged in the testing and development of other BreatheWay products. The Company manufactures its BreatheWay packaging through selected qualified contract manufacturers.

**Windset:** The Company holds a 26.9% noncontrolling investment ownership in Windset, a leading-edge grower of hydroponically grown produce. The Company believes that Windset's know-how and growing practices of hydroponically grown produce will result in higher yields with competitive growing costs that will provide dependable year-round supply to Windset's customers. In addition, the produce grown in Windset's greenhouses uses significantly less water than field grown crops and has a very high safety profile as no soil is used in the growing process. Windset owns and operates greenhouses in British Columbia, Canada and California. In addition to growing produce in its own greenhouses, Windset has numerous marketing arrangements with other greenhouse growers and utilizes buy/sell arrangements to meet fluctuation in demand from their customers. The Curation Foods segment operating results include the dividends and Landec's share of the change in fair market value of its investment in Windset.

## **Lifecore Biomedical**

Lifecore, located in Chaska, Minnesota, is a fully integrated CDMO that offers highly differentiated capabilities in the development, fill and finish of sterile, injectable pharmaceutical products in syringes and vials. It is involved in the manufacture of pharmaceutical-grade sodium hyaluronate ("HA") in bulk form as well as formulated and filled syringes and vials for injectable products used in treating a broad spectrum of medical conditions and procedures. Lifecore uses its fermentation process and aseptic formulation and filling expertise to be a leader in the development of HA-based products for multiple applications and to take advantage of non-HA device and drug opportunities which leverage its expertise in manufacturing and aseptic syringe filling capabilities.

Lifecore provides product development services as a CDMO to its partners for HA-based, as well as non-HA based, aseptically formulated and filled products. These services include activities such as technology transfer, material component changes, analytical method development, formulation development, pilot studies, stability studies, process validation, and production of materials for clinical studies.

Built over many years of experience, Lifecore separates itself from its competition based on its five areas of expertise, including but not limited to Lifecore's ability to:

### ***Establish strategic relationships with market leaders:***

Lifecore continues to develop applications for products with partners who have strong marketing, sales, and distribution capabilities to end-user markets. Through its strong reputation and history of providing pharmaceutical grade HA and products, Lifecore has established long-term relationships with global and emerging biopharmaceutical and biotechnology companies across multiple therapeutic categories, and leverages those partnerships to attract new relationships in other medical markets.

### ***Expand medical applications for HA:***

Due to the growing knowledge of the unique characteristics of HA and Lifecore's unique strength and history as a trusted manufacturer of pharmaceutical injectable grade HA products, Lifecore continues to identify and pursue opportunities for the use of HA in other medical applications, such as wound care, aesthetic surgery, drug delivery, next generation orthopedics and device coatings, and through sales to academic and corporate research customers. Further applications may involve expanding process development activity and/or additional licensing of technology.

**Utilize manufacturing infrastructure to meet customer demand:**

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

**Maintain flexibility in product development and supply relationships:**

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

**Deliver consistent quality:**

Lifecore has built a world class quality and regulatory system that is demonstrated in their results, processes and customer relationships. With over 35 years of a superior track record with global regulatory bodies (FDA, EMA, ANVISA, etc.), Lifecore is the partner of choice for companies looking for proven experience in delivering QbD, cGMP compliance, and manufacturing excellence with pharmaceutical elegance and quality. Lifecore's world class quality and regulatory system and excellent track record with the global regulatory bodies ensure partners that they will safely bring innovative therapies to market.

**Other**

Included in the Other segment is Corporate, which includes corporate general and administrative expenses, non-Curation Foods and non-Lifecore interest income and income tax expenses.

**COVID-19 Pandemic**

There are many uncertainties regarding the current novel coronavirus ("COVID-19") pandemic, including the scope of scientific and health issues, the anticipated duration of the pandemic, and the extent of local and worldwide social, political, and economic disruption it may cause. The COVID-19 pandemic as well as the actions taken in response to the pandemic, have had, and we believe will continue to have, significant adverse impacts on many aspects of the Company's operations, directly and indirectly, including with respect to sales, customer behaviors, business and manufacturing operations, inventory, the Company's employees, and the market generally, and the scope and nature of these impacts continue to evolve each day. The Company expects to continue to assess the evolving impact of the COVID-19 pandemic, and intends to continue to make adjustments to its responses accordingly.

**Results of Operations****Revenues:**

Curation Foods revenues consist of revenues generated from (1) the sale of specialty packaged fresh-cut and whole processed vegetable products and salads that are washed and packaged in most cases in the Company's proprietary BreatheWay packaging and sold primarily under the Eat Smart brand and various private labels, (2) O Olive oils and wine vinegars, and (3) Yucatan and Cabo Fresh branded guacamole and avocado products. In addition, the Curation Foods reportable business segment includes the revenues generated from the sale of BreatheWay packaging to license partners.

Lifecore generates revenues from the development and manufacture of HA products and providing contract development and aseptic manufacturing services to customers. Lifecore generates revenues from two integrated activities: (1) CDMO and (2) fermentation.

(In thousands)	Three Months Ended		Change	
	August 30, 2020	August 25, 2019	Amount	%
<b>Curation Foods</b>	\$ 113,839	\$ 126,673	\$ (12,834)	(10)%
<b>Lifecore</b>	21,804	12,041	9,763	81 %
<b>Total Revenues</b>	\$ 135,643	\$ 138,714	\$ (3,071)	(2)%

### *Curation Foods*

The decrease in Curation Foods' revenues for the three months ended August 30, 2020, compared to the same period last year, was primarily due to a \$6.6 million planned shift away from non-strategic revenue streams, including packaged vegetables in bags and trays, a \$3.5 million decrease in green bean revenues driven by a decrease in demand from food service customers during the COVID-19 pandemic, and a \$2.9 million decrease in salads as a result of decreased volume during the COVID-19 pandemic.

### *Lifecore*

The increase in Lifecore's revenues for the three months ended August 30, 2020, compared to the same period last year, was due to a \$5.2 million increase in CDMO revenues from an increase in aseptic filling commercial shipments, due to increased demand from existing customers, and a \$4.6 million increase in fermentation sales primarily due to timing of shipments.

### **Gross Profit:**

There are numerous factors that can influence gross profit including product mix, customer mix, manufacturing costs, volume, sales discounts and charges for excess or obsolete inventory, to name a few. Many of these factors influence or are interrelated with other factors. The Company includes in cost of sales all of the following costs: raw materials (including produce, seeds, packaging, syringes and fermentation and purification supplies), direct labor, overhead (including indirect labor, depreciation, and facility-related costs) and shipping and shipping-related costs.

<i>(In thousands)</i>	Three Months Ended		Change	
	August 30, 2020	August 25, 2019	Amount	%
<b><i>Curation Foods</i></b>	\$ 11,345	\$ 12,822	\$ (1,477)	(12) %
<b><i>Lifecore</i></b>	5,002	2,514	2,488	99 %
<b><i>Total Gross Profit</i></b>	<u>\$ 16,347</u>	<u>\$ 15,336</u>	<u>\$ 1,011</u>	<u>7 %</u>

### *Curation Foods*

The decrease in gross profit for the Curation Foods business for the three months ended August 30, 2020, compared to the same period last year, was primarily due to the decrease in revenues, partially offset by an increase in gross profits from avocado products due to selling products in the first quarter of fiscal 2021 produced with lower cost avocados compared to fiscal 2020.

### *Lifecore*

The increase in gross profit for the Lifecore business for the three months ended August 30, 2020, compared to the same period last year, was due primarily to the increased revenue in both CDMO and fermentation, as well as a favorable sales mix.

### **Operating Expenses:**

#### *Research and Development*

R&D expenses consist primarily of product development and commercialization initiatives. R&D expenses in our Curation Foods business are primarily focused on innovating our current product lines and on the Company's proprietary BreatheWay membranes used for packaging produce, with a focus on extending the shelf-life of sensitive vegetables and fruit. In the Lifecore business, the R&D expenses are focused on new products and applications for HA-based and non-HA biomaterials. For Other, the R&D expenses are primarily focused on creating and developing new innovative lines of products.

<i>(In thousands)</i>	Three Months Ended		Change	
	August 30, 2020	August 25, 2019	Amount	%
<b><i>Curation Foods</i></b>	\$ 938	\$ 1,324	\$ (386)	(29) %
<b><i>Lifecore</i></b>	1,570	1,451	119	8 %
<b><i>Other</i></b>	—	46	(46)	(100) %
<b><i>Total R&amp;D</i></b>	<u>\$ 2,508</u>	<u>\$ 2,821</u>	<u>\$ (313)</u>	<u>(11) %</u>

The decrease in R&D expenses for the three months ended August 30, 2020, compared to the same periods last year, was primarily due to lower professional service expenses related to brand restage initiatives and new product development in the salad kit and avocado products product lines at Curation Foods which took place during the first quarter of fiscal year 2020, and decreases in our Other segment primarily due to discontinuation of R&D activities at Corporate. These decreases were partially offset by higher salary and benefits expenses at Lifecore driven by an increased headcount.

*Selling, General, and Administrative (“SG&A”)*

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

<i>(In thousands)</i>	Three Months Ended		Change	
	August 30, 2020	August 25, 2019	Amount	%
<b>Curation Foods</b>	\$ 10,584	\$ 11,484	\$ (900)	(8) %
<b>Lifecore</b>	1,880	1,947	(67)	(3) %
<b>Other</b>	5,439	3,464	1,975	57 %
<b>Total SG&amp;A</b>	<u>\$ 17,903</u>	<u>\$ 16,895</u>	<u>\$ 1,008</u>	<u>6 %</u>

The increase in SG&A expenses for the three months ended August 30, 2020, compared to the same period last year, was due to a \$2.0 million increase at our Other segment primarily due to an increase in legal fees from compliance and other litigation matters which was partially offset by a \$0.9 million decrease in our Curation Foods business primarily due to cost savings driven by our restructuring efforts and lower salary and bonus expenses compared to the same period last year.

**Other:**

<i>(In thousands)</i>	Three Months Ended		Change	
	August 30, 2020	August 25, 2019	Amount	%
<b>Dividend Income</b>	\$ 281	\$ 281	\$ —	— %
<b>Interest Income</b>	\$ 8	\$ 25	\$ (17)	(68) %
<b>Interest Expense</b>	\$ (3,109)	\$ (2,075)	\$ (1,034)	50 %
<b>Other Income (Expense)</b>	\$ (21)	\$ —	\$ (21)	N/M
<b>Income Tax Benefit</b>	\$ 4,309	\$ 1,365	\$ 2,944	216 %

*Dividend Income*

Dividend income is derived from the dividends accrued on the Company’s \$15.0 million Senior A preferred stock investment in Windset, which yields a cash dividend of 7.5% annually.

*Interest Income*

The decrease in interest income for the three months ended August 30, 2020, compared to the same periods last year, was not significant.

### *Interest Expense*

The increase in interest expense for the three months ended August 30, 2020, compared to the same period last year, was primarily a result of an increase in total debt from \$165.1 million as of August 25, 2019 to \$173.9 million, and related increases in deferred financing costs, as of August 30, 2020. The increase in debt was primarily due additional borrowings to fund working capital requirements and new equipment purchases during the last twelve months.

### *Other Income (Expense)*

The increase in other income for the three months ended August 30, 2020, compared to the same periods last year, was not significant.

### *Income Taxes*

The effective tax rate for the three months ended August 30, 2020 was higher than the statutory federal income tax rate of 21% primarily due to the generation of federal & state R&D credits and movements of the valuation allowance recorded against certain deferred tax assets, partially offset by the impact of state taxes and stock based compensation.

## **Liquidity and Capital Resources**

As of August 30, 2020, the Company had cash and cash equivalents of \$0.6 million, a net increase of \$0.2 million from \$0.4 million as of May 31, 2020.

### *Cash Flow from Operating Activities*

Net cash provided by operating activities during the three months ended August 30, 2020 was \$17.0 million, compared to \$5.4 million of net cash used in operating activities for the three months ended August 25, 2019. The primary sources of net cash provided by operating activities during the three months ended August 30, 2020 were (1) \$20.4 million net decrease in working capital, (2) \$6.0 million of depreciation/amortization and stock based compensation expense, and (3) \$6.0 million from the non-cash restructuring and impairment of assets charges. These sources of cash were offset by (1) a \$11.0 million net loss, and (2) a \$4.4 million reduction in deferred taxes.

The primary factors for the decrease in working capital during the three months ended August 30, 2020, were (1) a \$11.2 million decrease in accounts receivable due to the timing of customer payment receipts, (2) a planned \$6.3 million decrease in inventory driven by slowing avocado products production during peak fruit prices, (3) a \$1.4 million decrease in prepaid expenses and other current assets driven primarily by timing of prepayments, and (4) an \$0.9 million decrease in accounts payable due primarily to the timing of payments.

### *Cash Flow from Investing Activities*

Net cash provided by investing activities during the three months ended August 30, 2020 was \$0.2 million compared to \$9.7 million used in investing activities for the same period last year. Net cash provided by investing activities during the three months ended August 30, 2020, was primarily due to the receipt of \$4.9 million related to the sale of the Company's Ontario, California facility, offset by the purchase of \$4.6 million of equipment to support the growth of the Company's Curation Foods and Lifecore businesses.

### *Cash Flow from Financing Activities*

Net cash used in financing activities during the three months ended August 30, 2020 was \$17.0 million compared to \$16.0 million provided by financing activities for the same period last year. The net cash used in financing activities during the three months ended August 30, 2020, was primarily due to \$8.0 million of debt pay downs under the Company's term loan and from an \$8.4 million net decrease in the Company's line of credit.

### *Capital Expenditures*

During the three months ended August 30, 2020, Landec incurred \$4.6 million of capital expenditures, which was primarily represented by facility expansions and purchased equipment to support the growth of the Curation Foods and Lifecore businesses, compared to capital expenditures of \$10.0 million for the three months ended August 25, 2019. During the three months ended August 30, 2020, capital expenditures for Lifecore and Curation Foods were \$2.7 million and \$1.9 million, respectively.

## *Debt*

On September 23, 2016, the Company entered into a Credit Agreement with JPMorgan Chase Bank (“JPMorgan”), BMO Harris Bank N.A. and City National Bank, as lenders (collectively, the “Lenders”), and JPMorgan as administrative agent, pursuant to which the Lenders provided the Company with a \$100.0 million revolving line of credit (the “Revolver”) and a \$50.0 million term loan facility (the “Term Loan”), guaranteed by each of the Company’s direct and indirect subsidiaries and secured by substantially all of the Company’s assets, with the exception of the Company’s investment in Windset.

On November 30, 2018, the Company entered into the Fourth Amendment to the Credit Agreement, whereby the Term Loan was increased to \$100.0 million and the Revolver was increased to \$105.0 million.

On October 25, 2019, the Company entered into the Sixth Amendment to the Credit Agreement, which increased the Term Loan to \$120.0 million and decreased the Revolver to \$100.0 million.

On March 19, 2020, the Company entered into the Seventh Amendment to the Credit Agreement (the “Seventh Amendment”), which among other changes, retroactively increased the maximum Total Leverage Ratio (as defined in the Credit Agreement as the ratio of the Company’s total indebtedness on such date to the Company’s consolidated EBITDA for the period of four consecutive fiscal quarters ended on or most recently prior to such date) to 5.75 to 1.00 for the fiscal quarter ended February 23, 2020, which decreases back to 5.00 to 1.00 for the fiscal quarter ending May 31, 2020. The maximum Total Leverage Ratio thereafter decreases by 25 basis points each subsequent fiscal quarter thereafter, until it reaches 3.50 for the fiscal quarter ending November 28, 2021, and then remains fixed through maturity. The Seventh Amendment also introduced additional financial covenants that remain in effect through May 31, 2020, including minimum cumulative monthly Unadjusted EBITDA thresholds and maximum capital expenditures, as well as additional reporting requirements and frequencies. Interest on both the Revolver and the Term Loan continued to be based upon the Company’s Total Leverage Ratio, at a per annum rate of either (i) the prime rate plus a spread of between 0.25% and 3.00% or (ii) the Eurodollar rate plus a spread of between 1.25% and 4.00%. The Seventh Amendment also provided for the acceleration of the maturity of the Term Loan from October 25, 2022 to September 23, 2021 if the Company fails to be in compliance with certain financial covenants.

On July 15, 2020, the Company entered into the Eighth Amendment to the Credit Agreement (the “Eighth Amendment”), which among other things, (i) modified the definition of EBITDA to increase the limit on permitted exclusions for certain unusual, extraordinary or one-time cash items for each fiscal quarter ending on or after February 28, 2021, to a maximum of 20% of EBITDA, and (ii) restricted the Company from making Capital Expenditures over certain thresholds. Interest continues to be based on the Company’s Total Leverage Ratio, now at a revised per annum Applicable Rate of either (i) the prime rate plus a spread of between 0.75% and 3.50% or (ii) the Eurodollar rate plus a spread of between 1.75% and 4.50%, plus, in each case, a commitment fee, as applicable, of between 0.15% and 0.55%, as further described in the Eighth Amendment.

The Credit Agreement provides the Company the right to increase the Revolver commitments and/or the Term Loan commitments by obtaining additional commitments either from one or more of the Lenders or another lending institution at an amount of up to \$10.0 million.

Both the Revolver and the Term Loan mature on September 23, 2021, with the Term Loan requiring quarterly principal payments of \$3.0 million and the remainder continuing to be due at maturity. The Credit Agreement contains customary financial covenants and events of default under which the obligation could be accelerated and/or the interest rate increased. As of August 30, 2020, the Company was in compliance with all financial covenants and events of default under the Credit Agreement.

As of August 30, 2020, \$69.0 million was outstanding on the Revolver, at an interest rate of 4.66%.

The Company’s outstanding indebtedness under the Credit Agreement will mature and become due on September 23, 2021. The Company’s currently available liquidity plus the expected additional cash generated by operations prior to that maturity date are not expected to be sufficient to pay such debt obligations prior to or at the maturity date without additional financing. Management is actively pursuing refinancing options and is currently in discussions with several third-party lenders to seek to negotiate a refinancing that would extend the maturity of the Company’s indebtedness and provide greater flexibility for the Company. Management believes its current refinancing plans are probable to occur and appropriately mitigate the risk that the Company will not be able to meet its obligations as they become due. Therefore, the financial statements have been prepared assuming the Company will continue as a going concern. The Company believes that its cash from operations, along with existing cash and cash equivalents, will be sufficient to finance its operational and capital requirements for at least the next twelve months, assuming the Company is able to execute its plan to refinance its debt. However, there is no guarantee we will be able to refinance, or be able to do so on favorable terms. See Item 1A. “Risk Factors” for more information.

*Off-Balance Sheet Arrangements and Contractual Obligations*

The Company is not a party to any agreements with, or commitments to, any special purpose entities that would constitute material off-balance sheet financing. There have been no material changes to our long-term contractual obligations as reported in our most recent Annual Report filed on Form 10-K for the fiscal year ended May 31, 2020. See Note 6 – Debt for further information on the Company's loans.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes to the information provided under Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" which is included and described in the Form 10-K for the fiscal year ended May 31, 2020 filed with the SEC on August 14, 2020.

**Item 4. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

As of August 30, 2020, our management evaluated, with participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that the disclosure controls and procedures are effective in ensuring that information required to be disclosed in reports filed under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified by the SEC, and are effective in providing reasonable assurance that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

*Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the first quarter ended August 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

In the ordinary course of business, the Company is involved in various legal proceedings and claims. For further discussion, see the disclosures contained in Note 1 - Organization, Basis of Presentation, and Summary of Significant Accounting Policies - Legal Contingencies, which are incorporated herein by reference.

### Item 1A. Risk Factors

You should carefully consider the risks described below and those risks described in Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended May 31, 2020, as our business, financial condition and results of operations could be adversely affected by any of the risks and uncertainties described therein and herein. Some statements in this report, including statements in the risk factors, constitute forward-looking statements.

***Our shareholder value creation program, Project SWIFT, may not have the anticipated results, exposes us to additional restructuring costs and operational risks, and may be negatively perceived in the markets.***

We have previously announced the development of a shareholder value creation program, Project SWIFT, designed to strategically realign our Curation Foods business to focus the business on its strategic assets and redesign the organization to be the appropriate size to compete and thrive. This program includes reviewing strategic options for our legacy vegetable bag and tray business, the closure of certain leased offices in Santa Clara, California and Los Angeles, California, the completed divestiture of our salad dressing plant in Ontario, California, the completed divestiture of our underutilized Hanover manufacturing facility, and certain other actions taken to redesign the Curation Foods organization. We may not be able to implement all of the actions that we intend to take in this program and we may not be able to realize the expected benefits from such realignment and restructuring plans or other similar restructurings on the anticipated timing, or at all. In addition, we may incur additional restructuring costs in implementing such realignment and restructuring plans or other similar future plans in excess of our expectations. The implementation of our restructuring efforts, including the potential reduction of our facilities and workforce, may not improve our operational and cost structure or result in greater efficiency of our organization; and we may not be able to support sustainable revenue growth and profitability following such restructurings. Any reduction in workforce or divestitures of facilities or other assets may also expose us to additional risks, including potential litigation (including labor and employment disputes), unforeseen costs or adverse impacts to the operations of our retained businesses. In addition, our strategic realignment efforts may not be viewed positively by shareholders and analysts, which may cause our stock price to decline or become volatile.

***The COVID-19 pandemic, or any other pandemic, epidemic or outbreak of an infectious disease in the United States or worldwide may adversely affect our business.***

In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China. This virus continues to spread globally and, as of August 30, 2020, has spread to approximately 160 countries, including the United States. To date, the COVID-19 pandemic and preventative measures taken to contain or mitigate the outbreak have caused, and are continuing to cause, business slowdowns or shutdowns and significant disruption to our businesses and to the financial markets both globally and in the United States. The COVID-19 pandemic as well as the actions we have taken and the protocols and procedures we have implemented in response to the pandemic, have had, and we believe will continue to have, significant adverse impacts on many aspects of the Company's operations, directly and indirectly, including with respect to sales, customer behaviors, business and manufacturing operations, inventory, the Company's employees, and the market generally, and the scope and nature of these impacts continue to evolve each day. In particular, the COVID-19 pandemic has resulted in and may continue to result in, regional quarantines, labor shortages or stoppages, adverse changes in consumer purchasing patterns, reductions in customer demand for our products, increased safety and compliance costs, disruptions to our supply chains, suppliers and service providers to deliver materials and services on a timely basis, and overall economic instability, which have significantly adversely affected and could further adversely affect our business, financial condition and results of operations. In addition, in response to the COVID-19 pandemic, our suppliers, growers, and corporate partners have reduced staffing and have reduced, delayed and postponed certain projects, initiatives or other arrangements in response to the spread of the COVID-19 pandemic, which may continue or worsen as the pandemic continues. These actions have resulted in and may result in further business and manufacturing disruption, inventory shortages, delivery delays, additional costs, and reduced sales and operations for us, any of which have and could further significantly affect our business, financial condition and results of operations. With respect to our Curation Foods business specifically, the responses to the COVID-19 pandemic have also adversely impacted and may further impact consumer spending and our customer's preferences, which have had and may continue to have an adverse impact on our sales in that segment. With respect to our Lifecore business, the COVID-19 pandemic has resulted and may continue to result in fewer elective medical

procedures, which, in turn, has and may continue to adversely impact our business and sales. The extent to which the COVID-19 pandemic has impacted our business is difficult to ascertain, and future potential impacts to our business will depend on how the COVID-19 pandemic continues to evolve, which is highly uncertain and cannot be predicted. Such future developments may include, among others, new information that may emerge concerning the severity of COVID-19 and the actions to contain COVID-19 or treat its impact. The COVID-19 pandemic has adversely affected the economies and financial markets worldwide, resulting in an economic downturn that could affect demand for our products, and our ability to obtain financing.

***Our credit facility provides our lenders with a lien against substantially all of our assets, and contains financial covenants that may limit our operational flexibility and cash flow available to invest in the ongoing needs of our business or otherwise adversely affect our results of operations.***

We are party to a Credit Agreement that contains a number of covenants that limit our ability and our subsidiaries' ability to, among other things, incur additional indebtedness, pay dividends, create liens, engage in transactions with affiliates, merge or consolidate with other companies, or sell substantially all of our assets. We are also required to maintain certain financial covenants, including a maximum total leverage ratio and a minimum fixed charge coverage ratio. The terms of our credit facility may restrict our current and future operations and could adversely affect our ability to finance our future operations or capital needs or to execute preferred business strategies. In addition, complying with these covenants may make it more difficult for us to successfully execute our business strategy and compete against companies who are not subject to such restrictions. In addition, in connection with the recent amendments to our credit facility, certain additional financial covenants that remain in effect through February 28, 2021, including with respect to minimum cumulative monthly Unadjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") thresholds and maximum capital expenditures, additional reporting obligations, and increases to the maximum interest rates and borrowing costs were implemented, which may further adversely impact our business and may increase our risks of noncompliance.

A failure by us to comply with the covenants specified in our Credit Agreement could result in an event of default under the agreement, which would give the lenders the right to terminate their commitments to provide additional loans under our credit facility, to declare all borrowings outstanding, together with accrued and unpaid interest, to be immediately due and payable, to institute foreclosure proceedings, and we could be forced into bankruptcy or liquidation. In addition, the lenders would have the right to proceed against the collateral we granted to them, which consists of substantially all of our assets. The maximum total leverage ratio required under our covenant for the fiscal quarter ended August 30, 2020, was 4.75 to 1.0, and thereafter decreases by 25 basis points each subsequent fiscal quarter, until it reaches 3.50 for the fiscal quarter ending November 28, 2021, and remains fixed through maturity. The fixed charge coverage ratio must be greater than 1.2 to 1.0. Although we are currently in compliance with the financial covenants under our Credit Agreement, as previously disclosed, we have not been in compliance with certain covenants in the past, and we cannot guaranty that we will be able to remain in compliance with all applicable covenants under the Credit Agreement in the future, that our lenders will elect to provide waivers or enter into amendments in the future in the event of breach, or, if the lenders do provide waivers, that those waivers will not be conditioned upon additional costs or restrictions that could materially and adversely affect our business, cash flows, results of operations, and financial condition. In addition, if the debt under our credit facility were to be accelerated, we may not have sufficient cash or be able to borrow sufficient funds to refinance the debt or sell sufficient assets to repay the debt, which could immediately, materially and adversely affect our business, cash flows, results of operations, and financial condition, and there would be no guarantee that we would be able to find alternative financing. Even if we were able to obtain alternative financing, it may not be available on commercially reasonable terms or on terms that are acceptable to us.

Our outstanding indebtedness under our Credit Agreement, which was \$173.9 million as of August 30, 2020, will mature and become due on September 23, 2021. Our currently available liquidity plus the expected additional cash generated by operations prior to that maturity date may not be sufficient to pay such debt obligations prior to or at the maturity date without additional financing. We are seeking to refinance the debt obligations under the credit facility, but there is no guarantee we will be able to refinance, or be able to do so on favorable terms, or that other sources of capital will be available to us on commercially reasonable terms, if at all. Any failure to refinance or otherwise defer our debt obligations would have a significant adverse impact on our business, contractual relationships, cash flows, results of operations and financial condition, including risks of significant additional expenses, contract disputes and other litigation claims, bankruptcy or liquidation, or raising substantial doubt as to our ability to continue as a going concern. These risks are further adversely impacted by the uncertainties and impacts of the COVID-19 pandemic, including with respect to our business and the debt markets generally.

Our ability to make payments on our debt, fund our other liquidity needs, and make planned capital expenditures will depend on our ability to generate cash in the future. Our historical financial results have been, and we anticipate that our future financial results will be, subject to fluctuations. Our ability to generate cash, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control. We cannot guarantee that our business will generate sufficient cash flow from our operations or that future borrowings will be available to us in an amount sufficient to enable us to make payments of our debt, fund other liquidity needs, and make planned capital expenditures.

***We are subject to increasing competition in the marketplace.***

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

The food industry is highly competitive, and further consolidation in the industry would likely increase competition. Our principal competitors have substantial financial, marketing, and other resources. Increased competition can reduce our sales due to loss of market share or the need to reduce prices to respond to competitive and customer pressures. Competitive pressures also may restrict our ability to increase prices, including in response to commodity and other cost increases. We sell branded, private brand, and customized food products, as well as commercially branded foods. Our branded products have an advantage over private brand products primarily due to advertising and name recognition, although private brand products typically sell at a discount to those of branded competitors. In addition, when branded competitors focus on price and promotion, the environment for private brand producers becomes more challenging because the price difference between private brand products and branded products may become less significant. In most product categories, we compete not only with other widely advertised branded products, but also with other private label and store brand products that are generally sold at lower prices. A strong competitive response from one or more of our competitors to our marketplace efforts, or a consumer shift towards more generic, lower-priced, or other value offerings, could result in us reducing pricing, increasing marketing or other expenditures, or losing market share. Our margins and profits could decrease if a reduction in prices or increased costs are not counterbalanced with increased sales volume.

In addition, substantial growth in e-commerce has encouraged the entry of new competitors and business models, intensifying competition by simplifying distribution and lowering barriers to entry. The expanding presence of e-commerce retailers has impacted, and may continue to impact, consumer preferences and market dynamics, which in turn may negatively affect our sales or profits.

***Cancellations or delays of orders by our customers may adversely affect our business and the sophistication and buying power of our customers could have a negative impact on profits.***

During the fiscal quarter ended August 30, 2020, sales to the Company's top five customers accounted for approximately 51% of total revenue of the Company, with the top two customers from the Curation Foods segment, Costco Corporation and Walmart, Inc. accounting for approximately 19% and 14%, respectively, of total revenues of the Company. We expect that, for the foreseeable future, a limited number of customers may continue to account for a substantial portion of our revenues. We may experience changes in the composition of our customer base as we have experienced in the past. The reduction, delay or cancellation of orders from one or more major customers for any reason or the loss of one or more of our major customers could materially and adversely affect our business, operating results, and financial condition. In addition, since some of the products processed by Curation Foods and Lifecore are sole sourced to customers, our operating results could be adversely affected if one or more of our major customers were to develop other sources of supply. Our current customers may not continue to place orders, orders by existing customers may be canceled or may not continue at the levels of previous periods, or we may not be able to obtain orders from new customers.

Our customers, such as supermarkets, warehouse clubs, and food distributors, have continued to consolidate, resulting in fewer customers on which we can rely for business. These consolidations, the growth of supercenters, and the growth of e-commerce customers have produced large, sophisticated customers with increased buying power and negotiating strength who are more capable of resisting price increases and can demand lower pricing, increased promotional programs, or specialty tailored products. In addition, larger retailers have the scale to develop supply chains that permit them to operate with reduced inventories or to develop and market their own retailer brands. These customers may also in the future use more of their shelf space, currently used for our products, for their store brand products. We continue to implement initiatives to counteract these pressures. However, if the larger size of these customers results in additional negotiating strength and/or increased private label or store brand competition, our profitability could decline.

Consolidation also increases the risk that adverse changes in our customers' business operations or financial performance will have a corresponding material adverse effect on us. For example, as noted above, if our customers cannot access sufficient funds or financing, then they may delay, decrease, or cancel purchases of our products, or delay or fail to pay us for previous purchases.

***We are subject to the risks of doing business internationally.***

We are subject to the risks of doing business internationally. We conduct a substantial amount of business with growers and customers who are located outside the United States. We purchase avocados and vegetables from foreign growers and packers, sell products to foreign customers, and operate a production facility in Mexico. In the most recent years, there has been an increase in organized crime in Mexico, and significant changes in the Mexican government, both of which create risk for our business. We are also subject to regulations imposed by the Mexican government and to examinations by the Mexican tax authorities. Significant changes to these government regulations and to assessments by the Mexican tax authorities can have a negative impact on our operations and operating results in Mexico.

Fluctuations in foreign currency exchange rates in Mexico may also adversely affect our operating results. While our operations are predominantly in the U.S., we are exposed to foreign currency exchange rate risk with respect to our sales, expenses, profits, assets and liabilities denominated in the Mexican peso. As a result, our financial performance may be affected by changes in foreign currency exchange rates. Moreover, any favorable or unfavorable impacts to gross profit, gross margin, income from operations or segment operating profit from fluctuations in foreign currency exchange rates are likely to be inconsistent year over year.

Since some of our expenses are paid in Mexican pesos and we sell our production in United States dollars, we are subject to changes in currency values that may adversely affect our results of operations. Our operations in the future could be affected by changes in the value of the Mexican peso against the United States dollar. The appreciation of non-U.S. dollar currencies such as the peso against the U.S. dollar increases expenses and the cost of purchasing capital assets in U.S. dollar terms in Mexico, which can adversely impact our operating results and cash flows. Conversely, depreciation of non-U.S. dollar currencies usually decreases operating costs and capital asset purchases in U.S. dollar terms. The value of cash and cash equivalents, and other monetary assets and liabilities denominated in foreign currencies, also fluctuate with changes in currency exchange rates.

For the fiscal quarter ended August 30, 2020, approximately 17% of our consolidated net revenues were derived from product sales to international customers. A number of risks are inherent in international transactions. International sales and operations may be limited or disrupted by any of the following:

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

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

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

Exhibit Number	Exhibit Title
<a href="#">3.1</a>	<a href="#">Certificate of Incorporation of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on November 7, 2008.</a>
<a href="#">3.2</a>	<a href="#">Amended and Restated By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on October 16, 2012.</a>
<a href="#">3.3</a>	<a href="#">Amendment No. 1 to By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 7, 2019.</a>
<a href="#">3.4</a>	<a href="#">Amendment No. 2 to By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 24, 2019.</a>
<a href="#">10.1+</a>	<a href="#">Amended and Restated Employment Agreement between the Registrant and Albert D. Bolles, Ph.D., effective as of July 23, 2020.</a>
<a href="#">31.1*</a>	<a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">31.2*</a>	<a href="#">Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.1*</a>	<a href="#">Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.2*</a>	<a href="#">Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS+	XBRL Instance
101.SCH+	XBRL Taxonomy Extension Schema
101.CAL+	XBRL Taxonomy Extension Calculation
101.DEF+	XBRL Taxonomy Extension Definition
101.LAB+	XBRL Taxonomy Extension Labels
101.PRE+	XBRL Taxonomy Extension Presentation
+	Filed herewith.
*	Furnished herewith.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LANDEC CORPORATION

By: /s/ Brian McLaughlin

Brian McLaughlin

Chief Financial Officer and Vice President of Finance and Administration

(Principal Financial and Accounting Officer)

Date: October 7, 2020

## **AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT**

This Amended and Restated Executive Employment Agreement (this "Agreement"), is entered into by and between Landec Corporation (the "Company") and Albert D. Bolles, Ph.D. (the "Executive"). This Agreement amends and restates in its entirety the Original Agreement (as defined below) and is effective as of July 23, 2020 (the "Amended Effective Date").

**WHEREAS**, the Executive and the Company previously entered into that certain Executive Employment Agreement, effective as of May 23, 2019 (the "Original Agreement");

**WHEREAS**, as of the Amended Effective Date, the Executive and the Company wish to enter into this Agreement to set forth the terms and conditions of Executive's continued employment with the Company as its President and Chief Executive Officer;

**WHEREAS**, as of the Amended Effective Date, the Original Agreement shall terminate and be superseded by this Agreement.

**NOW, THEREFORE**, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the parties hereto as follows:

### **1. POSITION AND DUTIES**

#### (a) Position

Executive will continue to serve as President and Chief Executive Officer ("CEO") of the Company. As President and CEO, Executive shall report to the Board of Directors of the Company (the "Board") and will assist the Board in developing and implementing the Company's ongoing business strategies and objectives. Executive shall have such duties, authority and responsibilities that are commensurate with his position as the Company's most senior executive officer, including, but not limited to, being responsible for the general management, oversight and operations of the Company, and such additional powers and duties as are prescribed from time to time by the Board.

#### (b) Obligations

During the term of his employment, Executive will devote Executive's full business efforts and time to the Company. For the duration of his employment, Executive agrees not to actively engage in any other employment, occupation or consulting activity for any direct or indirect remuneration without the prior approval of the Board, except Executive may, without approval of the Board, serve in any capacity with any civil, educational or charitable organization ("Outside Activity"), provided such services do not interfere with Executive's obligations to the Company. In the event that the Board believes Executive's Outside Activity interferes with Executive's obligations to the Company, the Board shall inform Executive of such interference, and Executive shall have thirty (30) days to cease such Outside Activity.

### **2. TERM OF EMPLOYMENT**

This Agreement covers Executive's employment with the Company from the Amended Effective Date through the third anniversary of the Amended Effective Date (the "Term"), at which point it will expire unless renewed or extended by the written consent of both parties.

### **3. LOCATION**

During the Term, Executive will be based at the Company's executive offices in Santa Maria, California or elsewhere as may be designated from time to time by the Company, and Executive will be expected to travel to the Company's offices at other locations as needed for the performance of his duties and responsibilities.

#### 4. COMPENSATION, BENEFITS AND PERQUISITES

(a) Salary

In consideration of services to be rendered by Executive to the Company, Executive will be paid an annual base salary of \$638,600 per calendar year during the Term, unless modified by the Compensation Committee of the Board (the "Committee"). The annual base salary that is then in effect (the "Base Salary") will be earned and paid in equal semi-monthly installments, less any deductions required by law, pursuant to procedures regularly established by the Company.

(b) Annual Incentive Compensation

Executive will participate in the Company's annual cash bonus plan as it may be modified from time to time (the "Incentive Plan"). Under the terms of the Incentive Plan for fiscal year 2022, Executive's annual bonus (the target amount (the "Target Bonus") of which is 100% of Executive's Base Salary) will be based upon attainment of pre-determined goals established by the Board or the Committee. Executive will be eligible to participate in any Long Term Incentive Plan adopted by the Company (the "LTIP"). Actual bonus(es) payable will be determined and paid pursuant to the terms of the Incentive Plan and/or the LTIP, but in no event later than the applicable two and one-half (2-1/2) month period for short-term deferrals as provided in Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations thereunder. The Company reserves the right to modify, amend or discontinue the Incentive Plan or the LTIP at any time, subject to the provisions of Section 5(e)(iv) below.

(c) Equity Incentive Compensation

Executive shall be eligible for grants of equity interests in the Company ("Compensatory Equity") at such times and in such amounts as determined by the Committee. All future grants of Compensatory Equity (and the issuance of any underlying shares) to Executive shall be: (i) issued pursuant to the 2019 Stock Incentive Plan (or any applicable stockholder-approved successor plan), and (ii) issued pursuant to an effective registration statement filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended.

At the Board meeting on May 23, 2019, Executive was granted an option to purchase 162,000 shares of Common Stock and 55,000 restricted stock units under the 2013 Stock Incentive Plan. The shares subject to the option shall vest 1/3 on the first anniversary of the date of grant and 1/36 per month on the same date of each month thereafter. The restricted stock units will cliff vest on the three-year anniversary of the date of grant. Such options and restricted stock units are subject in their entirety to the terms and conditions of the 2013 Stock Incentive Plan and the stock option agreement and restrict stock unit agreement.

Executive may elect to establish a trading plan in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934 for any of his shares of common stock of the Company; provided, however, that such trading plan must comply with all of the requirements for the safe harbor under Rule 10b5-1 and must be approved in accordance with any Rule 10b5-1 Trading Plan Policy of the Company then in effect.

(d) [Reserved]

(e) Benefits

Executive will participate in the Company's standard medical, life, accident, disability and retirement plans provided to its eligible employees on no less favorable terms than for other Company executives, subject in each case to the generally applicable terms and conditions of the plan or arrangement in question and any applicable legal requirements and to the determinations of any person or committee administering such plan or arrangement.

(f) Vacation

Executive shall accrue Company paid vacation in accordance with the Company's policies and procedures, as may be amended from time to time and which currently provides for eligibility to accrue up to five weeks of paid vacation per year.



(g) Expenses

The Company will reimburse Executive for travel, lodging, entertainment and other reasonable business expenses incurred by him in the performance of his duties in accordance with the Company's general policies, as may be amended from time to time, and applicable law.

**5. TERMINATION OF EMPLOYMENT**

(a) Termination Due to Death or Disability

Executive's employment will terminate automatically upon the death of Executive or when Executive begins to receive benefits under the Company's Long Term Disability Plan. In such cases, the Company shall pay Executive (in the case of long-term disability) or his estate or a person who acquired the right to receive such payments by bequest or inheritance (in the case of death):

(i) any earned, but unpaid, Base Salary and accrued, but unused paid vacation to which Executive is entitled through the date of termination, which shall be paid in accordance with applicable law; and

(ii) Executive's annual incentive award to which he is entitled, if any, under the Incentive Plan for the fiscal year in which the termination occurs, based on actual performance (disregarding any requirement that he be employed through the end of the determination period or on the date the payment is made) and pro-rated through the date of termination, which shall be paid at the same time bonuses for such year are paid to active employees under the terms of the Incentive Plan (but no later than March 15 of the calendar year following the calendar year in which the termination occurs).

Upon payment of such amounts, the Company's obligations under this Agreement will then cease.

(b) Termination by Company for Cause

The Company may terminate, without liability, Executive's employment for Cause (as defined below) at any time and without notice. The Company will pay Executive any earned, but unpaid Base Salary and accrued, but unused paid vacation to which he is entitled through the date of termination in accordance with applicable law and thereafter the Company's obligations under this Agreement will then cease. Executive will not be entitled to any annual incentive award under the Incentive Plan for the fiscal year in which the termination occurs.

Termination shall be for "Cause" if Executive:

- (i) willfully breaches significant and material duties he is required to perform;
- (ii) commits a material act of fraud, dishonesty, misrepresentation or other act of moral turpitude;
- (iii) is convicted of a felony or another crime which is materially injurious to the reputation of the Company;
- (iv) exhibits gross negligence in the course of his employment;
- (v) is ordered removed by a regulatory or other governmental agency pursuant to applicable law; or
- (vi) willfully fails to obey a material lawful direction from the Board.

(c) Termination by Company Without Cause

The Company may terminate Executive's employment and this Agreement, at any time, for any reason, without Cause.

If Executive's employment is terminated by the Company without Cause and not in connection with a "Change in Control" as described in Section 6(a) below, the Company shall:

(1) pay Executive (in a single lump-sum payment in accordance with applicable law) any earned, but unpaid, Base Salary and accrued, but unused paid vacation to which he is entitled through the date of termination;

(2) pay Executive an amount equal to 100% of the Base Salary over the 12-month period immediately following the date of termination (such amount to be paid in equal installments on the Company's regularly scheduled payroll dates), with the first payment, which shall be retroactive to the day immediately following the date Executive's employment terminated, being due and payable on the Company's next regular payday for executives that follows the expiration of thirty (30) days from the date Executive's employment terminates;

(3) cause such number of shares subject to any unvested Company stock options and such number of shares subject to any unvested Company restricted stock, restricted stock units or other awards as would have vested over the one-year period beginning on the date of termination to vest and, in the case of awards requiring exercise or settlement, become exercisable or settled, as applicable, as of the date of Executive's termination; provided, that with respect to Company restricted stock units that cliff vest beyond the one-year period beginning on the date of termination, such cliff vesting will be disregarded for these purposes, and, instead, such number of restricted stock units as would have vested monthly over the vesting period from the date of grant until the first anniversary of the date of termination will become vested as of the date of termination.

(4) pay Executive the annual incentive award to which he is entitled, if any, under the Incentive Plan for the fiscal year in which the termination occurs, based on actual performance (disregarding any requirement that he be employed through the end of the determination period or on the date the payment is made), and pro-rated through the date of termination, which shall be paid at the same time bonuses for such year are paid to active employees under the terms of the Incentive Plan (but no later than March 15 of the calendar year following the calendar year in which the termination occurs); and

(5) if Executive timely elects to continue his health coverage pursuant to the federal law commonly referred to as COBRA ("COBRA") following the termination of his employment, pay the monthly premiums for such coverage (including any premium for coverage of Executive's spouse and eligible dependents) until the earlier of the date (i) the maximum period permitted under COBRA expires, or (ii) Executive commences receiving substantially equivalent health insurance coverage in connection with new employment; provided, however, that if the foregoing arrangement could subject the Company or Executive to tax or penalty, the Company shall, in its sole discretion, have the option to cease paying for such coverage and, in lieu thereof, pay Executive a monthly amount equal to the monthly amount it had been paying for such premiums for the remainder of the period provided in this Section 5(c)(5);

After payment of the termination benefits described in this Section 5(c), the Company's obligations under this Agreement will cease.

(d) Voluntary Termination

Executive may terminate his employment at any time by giving the Company four (4) months' advanced written notice of such termination. In this event, the Company will pay any earned, but unpaid, Base Salary and accrued, but unused paid vacation to which Executive is entitled through the date of termination in accordance with applicable law, and the Company's obligations under this Agreement will then cease. Executive will not be entitled to any annual incentive award under the Incentive Plan for the fiscal year in which he terminates his employment.

(e) Termination For "Good Reason"

Executive may also terminate his employment for "Good Reason" upon the occurrence of any one of the following events without the prior written consent of Executive, provided that the Good Reason Payout Trigger (as defined below) is met:

(i) any assignment to Executive of duties other than those contemplated by this Agreement or typically assumed by a President or CEO, or which represent a material reduction in the scope and authority of

Executive's position with respect to the Company; provided, that (i) any "spin-off" or other distribution of the stock of a subsidiary of the Company (or actions taken in contemplation thereof) shall not be deemed to represent a material reduction in the scope and authority of Executive's position with respect to the Company and (ii) Good Reason shall include the Company ceasing to be a public company or ceasing to be traded on the NASDAQ Global Select Market (or similar exchange) following a Change in Control;

(ii) a Company required relocation of Executive's principal place of work that requires an increase in Executive's normal commute of more than 35 miles, unless such relocation results from the relocation of the Company's executive offices;

(iii) any material reduction in Base Salary; or

(iv) at such time as the Incentive Plan is approved with respect to any fiscal year, the Target Bonus shall be determined to be an amount which is less than 100% of the Base Salary of Executive.

For Executive to receive the benefits under this Section 5(e) or Section 6(b) as a result of a termination for Good Reason, all of the following requirements must be satisfied (the satisfaction of such conditions, the "Good Reason Payout Trigger"): (1) Executive must provide notice to the Company of his intent to assert Good Reason for termination within 30 days of the initial existence of one or more of the conditions set forth in clauses (i) through (iv) above; (2) the Company must fail within 30 days (the "Cure Period") from the date of such notice to remedy such conditions; and (3) if such conditions are not remedied, Executive must resign within 20 days after the end of the Cure Period. If the Company remedies such conditions within the Cure Period, Executive may withdraw his proposed termination or may resign with no benefits under the voluntary termination provision of Section 5(d) above.

If Executive terminates his employment for "Good Reason" other than in connection with a "Change in Control" as described in Section 6(b) below and the Good Reason Payout Trigger has been met, Company shall:

(1) pay Executive (in a single lump-sum payment in accordance with applicable law) any earned, but unpaid, Base Salary and accrued, but unused paid vacation to which he is entitled through the date of termination;

(2) pay Executive an amount equal to 100% of the Base Salary over the 12-month period immediately following the date of termination (or, if higher, at the rate prior to a reduction referred to in clause (iii) above) (such amount to be paid in equal installments on the Company's regularly scheduled payroll dates) with the first payment, which shall be retroactive to the day immediately following the date Executive's employment terminated, being due and payable on the Company's next regular payday for executives that follows the expiration of thirty (30) days from the date Executive's employment terminates;

(3) cause such number of shares subject to any unvested Company stock options and such number of shares subject to any unvested Company restricted stock, restricted stock units or other awards as would have vested over the one-year period beginning on the date of termination to vest and, in the case of awards requiring exercise or settlement, become exercisable or settled, as applicable, as of the date of Executive's termination; provided, that with respect to Company restricted stock units that cliff vest beyond the one-year period beginning on the date of termination, such cliff vesting will be disregarded for these purposes, and, instead, such number of restricted stock units as would have vested monthly over the vesting period from the date of grant until the first anniversary of the date of termination will become vested as of the date of termination.

(4) pay Executive the annual incentive award to which he is entitled, if any, under the Incentive Plan for the fiscal year in which the termination occurs, based on actual performance (disregarding any requirement that he be employed through the end of the determination period or on the date the payment is made), and pro-rated through the date of termination, which shall be paid at the same time bonuses for such year are paid to active employees under the terms of the Incentive Plan (but no later than March 15 of the calendar year following the calendar year in which the termination occurs); and

(5) if Executive timely elects to continue his health coverage pursuant to COBRA following the termination of his employment, pay the monthly premiums for such coverage (including any premium for coverage of Executive's spouse and eligible dependents) until the earlier of the date (i) the maximum period permitted under COBRA expires, or (ii) Executive commences receiving substantially equivalent health insurance coverage in connection with new employment; provided, however, that if the foregoing arrangement could subject the Company or Executive to tax or penalty, the Company shall, in its sole discretion, have the option to cease paying for such coverage and, in lieu thereof, pay Executive a monthly amount equal to the monthly amount it had been paying for such premiums for the remainder of the period provided in this Section 5(e)(5);

After payment of the termination benefits described in this Section 5(e), the Company's obligations under this Agreement shall cease.

(f) Termination Obligations

Executive acknowledges and agrees that all personal property and equipment furnished to or prepared by Executive in the course of or incident to his employment belong to the Company and shall be promptly returned to the Company upon termination of employment; provided, that if Executive's employment is terminated pursuant to Sections 5(c), 5(e) or 6, Executive will be allowed to retain his Company laptop computer after the Company removes any and all confidential and proprietary information belonging to the Company. Executive further acknowledges and agrees that all confidential materials and documents, whether written or contained in computer files, electronic storage/iCloud systems or any other media, remain the property of the Company and shall be promptly returned to the Company upon termination of employment, to the extent reasonably practicable for Executive to do so.

**6. CHANGE IN CONTROL**

A "Change in Control" shall have the meaning set forth in the Company's 2019 Stock Incentive Plan, as may be amended from time to time; provided, however, that a Change in Control also shall include (A) the consummation of a merger or consolidation of Curation Foods, Inc. ("Curation") with or into another entity or any other corporate reorganization if more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such transaction is owned by persons who were not stockholders of Curation immediately prior to such transaction, other than the Company or its controlled subsidiaries (or the respective successors), (B) the sale, transfer or other disposition of all or substantially all of the assets of Curation, other than to the Company or its controlled subsidiaries (or their respective successors) or (C) the direct or indirect sale or exchange in a single transaction or series of related transactions of more than 50% of the voting stock of Curation to an entity or person other than the Company or its controlled subsidiaries (or their respective successors).

(a) Termination by Company Without Cause Following a Change in Control

If, on or within a period of two (2) years subsequent to a Change in Control, Executive's employment is terminated by the Company without Cause, the Company shall:

(1) pay Executive (in a single lump-sum payment in accordance with applicable law) any earned, but unpaid, Base Salary and accrued, but unused paid vacation to which he is entitled through the date of termination;

(2) pay Executive an amount equal to 100%, multiplied by the sum of (A) the Base Salary and (B) the Target Bonus, payable over the 18-month period immediately following the date of termination (such amount to be paid in equal installments on the Company's regularly scheduled payroll dates), with the first payment, which shall be retroactive to the day immediately following the date Executive's employment terminated, being due and payable on the Company's next regular payday for executives that follows the expiration of thirty (30) days from the date Executive's employment terminates;

(3) cause all shares subject to any unvested Company stock options and all shares of Company restricted stock, restricted stock units or other awards to immediately vest and, in the case of awards requiring exercise or settlement, become immediately exercisable or settled, as applicable; provided, that with respect to Company equity awards that do not vest solely based on

the passage of time, such awards will vest based on the assumption that “target” levels of performance have been achieved, unless otherwise specified in the applicable award agreement;

(4) pay Executive an amount equal to the Target Bonus, pro-rated by multiplying the Target Bonus by the quotient obtained by dividing (A) the number of days during the fiscal year that Executive was in employment through the date of termination by (B) the total number of days in the fiscal year, payable in a lump sum on the Company’s next regular payday for executives that follows the expiration of thirty (30) days from the date Executive’s employment terminates; and

(5) if Executive timely elects to continue his health coverage pursuant to COBRA following the termination of his employment, pay the monthly premiums for such coverage (including any premium for coverage of Executive’s spouse and eligible dependents) until the earlier of the date (i) the maximum period permitted under COBRA expires, or (ii) Executive commences receiving substantially equivalent health insurance coverage in connection with new employment; provided, however, that if the foregoing arrangement could subject the Company or Executive to tax or penalty, the Company shall, in its sole discretion, have the option to cease paying for such coverage and, in lieu thereof, pay Executive a monthly amount equal to the monthly amount it had been paying for such premiums for the remainder of the period provided in this Section 6(a)(4).

After payment of the termination benefits described in this Section 6(a), the Company’s obligations under this Agreement shall cease.

(b) Termination for “Good Reason” Following a Change in Control

If Executive terminates his employment for “Good Reason” on or within a period of two (2) years following a Change in Control, and the Good Reason Payout Trigger has been met, the Company shall:

(1) pay Executive (in a single lump-sum payment in accordance with applicable law) any earned, but unpaid, Base Salary and accrued, but unused paid vacation to which he is entitled through the date of termination;

(2) pay Executive an amount equal to 100%, multiplied by the sum of (A) the Base Salary (or, if higher, at the rate prior to a reduction referred to in Section 5(e)(iii) above) and (B) the Target Bonus (or, if higher, at the rate prior to a reduction referred to in Section 5(e)(iv) above), payable over the 18-month period immediately following the date of termination (such amount to be paid in equal installments on the Company’s regularly scheduled payroll dates), with the first payment, which shall be retroactive to the day immediately following the date Executive’s employment terminated, being due and payable on the Company’s next regular payday for executives that follows the expiration of thirty (30) days from the date Executive’s employment terminates;

(3) cause all shares subject to any unvested Company stock options and all shares of Company restricted stock, restricted stock units or other awards to immediately vest and, in the case of awards requiring exercise or settlement, become immediately exercisable or settled, as applicable; provided, that with respect to equity awards that do not vest solely based on the passage of time, such equity awards will vest based on the assumption that “target” levels of performance have been achieved, unless otherwise specified in the applicable award agreement;

(4) pay Executive an amount equal to the Target Bonus (or, if higher, at the rate prior to a reduction referred to in Section 5(e)(iv) above), pro-rated by multiplying the Target Bonus by the quotient obtained by dividing (i) the number of days during the fiscal year that Executive was in service through the date of termination by (ii) the total number of days in the fiscal year, payable in a lump sum on the Company’s next regular payday for executives that follows the expiration of thirty (30) days from the date Executive’s employment terminates; and

(5) if Executive timely elects to continue his health coverage pursuant to COBRA following the termination of his employment, pay the monthly premiums for such coverage (including any premium for coverage of Executive’s spouse and eligible dependents) until the

earliest of the date (i) the maximum period permitted under COBRA expires, or (ii) Executive commences receiving substantially equivalent health insurance coverage in connection with new employment; provided, however, that if the foregoing arrangement could subject the Company or Executive to tax or penalty, the Company shall, in its sole discretion, have the option to cease paying for such coverage and, in lieu thereof, pay Executive a monthly amount equal to the monthly amount it had been paying for such premiums for the remainder of the period provided in this Section 6(b)(4).

After payment of the termination benefits described in this Section 6(b), the Company's obligations under this Agreement shall cease.

(c) Effect of Non-Assumption in a Change in Control

Notwithstanding anything to the contrary contained herein, if (i) a Change in Control occurs and Executive remains in continuous employment until immediately prior to a Change in Control and (ii) either (A) Executive's Company equity-based awards are not continued, converted, assumed, or replaced with a substantially similar award (an "Assumption") or (B) such awards are Assumed by a successor or survivor entity, or a parent or affiliate thereof, that is not a Publicly-Traded Successor Entity (as defined below), then, immediately prior to the Change in Control, such awards shall become fully vested, exercisable and/or payable, as applicable, and all forfeiture, repurchase and other restrictions on such awards shall lapse. With respect to awards that do not vest solely based on the passage of time, such awards will vest based on the assumption that "target" levels of performance are achieved, unless otherwise specified in the applicable award agreement. The Committee shall determine whether an Assumption of an award has occurred in connection with a Change in Control.

For purposes of this Agreement, "Publicly-Traded Successor Entity" means an entity, the securities of which are not, at the time of such Change in Control, listed on any established securities exchange (such as the New York Stock Exchange, the NASDAQ Capital Market, the NASDAQ Global Market and the NASDAQ Global Select Market).

(d) Survival

Notwithstanding anything herein to the contrary, to the extent a Change in Control occurs during the Term, this Section 6 and Sections 7, 8, 9, 10 and such other Sections as are necessary to give effect to such Sections shall survive the expiration of the Term and continue for a period of two (2) years following such Change in Control (or such later period as provided for therein).

**7. PARACHUTE PAYMENTS AND SECTION 409A**

(a) Best Pay Cap

Notwithstanding any other provision of this Agreement, in the event that any payment or benefit received or to be received by Executive (including any payment or benefit received in connection with a termination of Executive's employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement) (all such payments and benefits, including severance benefits, being hereinafter referred to as the "Total Payments") would be subject (in whole or part), to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), then, after taking into account any reduction in the Total Payments provided by reason of Section 280G of the Code in such other plan, arrangement or agreement, Executive's cash severance benefits under this Agreement shall first be reduced, and any noncash severance payments shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (a) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (b) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which Executive would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

(b) Certain Exclusions

For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (a) no portion of the Total Payments, the receipt or retention of which Executive has waived at such time and in such manner so as not to constitute a “payment” within the meaning of Section 280G(b) of the Code, will be taken into account; (b) no portion of the Total Payments will be taken into account which, in the written opinion of an independent, nationally recognized accounting firm (the “Independent Advisors”) selected by the Company, does not constitute a “parachute payment” within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments will be taken into account which, in the opinion of Independent Advisors, constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the “base amount” (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation; and (c) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Independent Advisors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

(c) Compliance with Section 409A

The payments and entitlements provided for under this Agreement are intended to qualify for the short-term deferral exception to Section 409A of the Code as described in Treasury Regulation Section 1.409A-1(b)(4) to the maximum extent possible, and to the extent they do not so qualify, they are intended to qualify for the involuntary separation pay plan exception to Section 409A of the Code as described in Treasury Regulation Section 1.409A-1(b)(9)(iii) to the maximum extent possible. The amounts paid pursuant to this Agreement that are intended to qualify for the exemption for separation pay due to an involuntary separation from service shall be paid, consistent with Treasury Regulation Section 1.409A-1(b)(9)(iii)(B), no later than the last day of the second taxable year of Executive following the taxable year of Executive in which the “*separation from service*” (as defined in Section 1.409A-1(h) of the Treasury regulations after giving effect to the presumptions contained therein) occurs. For purposes of this Agreement, each payment described herein shall be considered a separate payment.

Notwithstanding anything to the contrary in this Agreement, if any payment or entitlement provided for in this Agreement constitutes a “*deferral of compensation*” (as such term is defined in Section 409A of the Code) (e.g., because such payment would be in excess of the payments subject to an exception described in the immediately preceding paragraph) within the meaning of Section 409A of the Code and cannot be paid or provided in the manner provided herein without subjecting Executive to additional tax, interest or penalties under Section 409A of the Code as a result of the operation of Section 409A(a)(2)(B)(i) of the Code or Treasury Regulation Section 1.409A-3(i)(2), then any such payment and/or entitlement which would, but for the operation of this Section 7(c), be payable during the first six months following Executive’s “*separation from service*” shall be paid or provided to Executive instead in a lump sum on the first day of the seventh month following the date of Executive’s “*separation from service*.” For purposes of this Agreement, all references to “*termination of employment*” and correlative phrases shall be construed to require a “*separation from service*” (as defined in Section 1.409A-1(h) of the Treasury regulations after giving effect to the presumptions contained therein).

**8. RELEASE**

Other than with regard to any earned, but unpaid Base Salary and accrued, but unused paid vacation to which Executive is entitled through the date of termination, it shall be a condition to the payment by the Company of the severance benefits payable to Executive under Section 5(c), 5(e), or 6 that Executive signs a general release of all claims in substantially the form set forth in Exhibit A hereto and delivers such signed release to the Company within twenty-one (21) days following the date of termination and allows the release to become effective. No severance benefits will be paid unless and until the release becomes effective.

**9. SOLICITATION OF EMPLOYEES AND CONSULTANTS**

Executive agrees that during the term of his employment, and for a period of two (2) years thereafter, Executive shall not either directly or indirectly solicit, any employees or consultants of the Company or any of its subsidiaries to terminate their relationship with the same, or attempt to solicit employees or consultants of the Company or any of its subsidiaries, either for Executive or for any other person or entity.

**10. CONFIDENTIAL INFORMATION**

Executive agrees at all times during the term of this Agreement and thereafter, to hold in strictest confidence, and not to use, except for the benefit of the Company, or to disclose to any person, firm, corporation or other entity without written authorization of the Board, any Confidential Information of the Company and agrees to abide by the terms of his Confidential Information and Invention Assignment Agreement with the Company. Executive understands that “Confidential Information” means any Company proprietary information, technical data, trade secrets or know-how, including, but not limited to, research, product plans, products, services, supplies, customer lists, prices and costs, markets, software, developments, inventions, laboratory notebooks, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, marketing, licenses, finances, budgets or other business information disclosed to Executive by the Company either directly or indirectly in writing, orally or by drawings or observation of parts or equipment or created by Executive during the term of this Agreement. Executive understands that Confidential Information also includes, but is not limited to, information pertaining to any aspects of the Company’s business which is either information not known by actual or potential competitors of the Company or is proprietary information of the Company or its customers or suppliers, whether of a technical nature or otherwise. Executive further understands that Confidential Information does not include any of the foregoing items which have become publicly and widely known and made generally available through no wrongful act of Executive or of others who were under confidentiality obligations as to the item or items involved.

**11. ASSIGNMENT**

Executive’s rights and obligations under this Agreement may not be assigned, and any attempted assignment shall be null and void. The Company may assign this Agreement, but only to a successor or affiliated organization.

**12. NOTICES**

All notices referred to in this Agreement shall be in writing and delivered to the Company at its principal address, 5201 Great America Parkway, Suite 232, Santa Clara, CA 95054, or to Executive at his home address.

**13. ENTIRE AGREEMENT**

The terms of this Agreement are intended by the parties to be the final expression of their agreement with respect to the employment of Executive by the Company and may not be contradicted by evidence of any prior or contemporaneous agreement. The parties further intend that, except as set forth in the Confidential Information and Invention Assignment Agreement (the “CIIA Agreement”), this Agreement shall constitute the complete and exclusive statement of its terms, and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative or other legal proceeding involving this Agreement. The parties further intend that the CIIA Agreement and Sections 8, 9, 10 of this Agreement and such other Sections as are necessary to give effect to those Sections shall survive the termination of this Agreement and/or Executive’s employment. Executive agrees that the Original Agreement shall be terminated and of no further force or effect from and after the Amended Effective Date.

**14. AMENDMENTS AND WAIVERS**

This Agreement may not be modified, amended or terminated except in writing, signed by Executive and by a duly authorized representative of the Company other than Executive. No failure to exercise and no delay in exercising any right, remedy or power hereunder shall operate as a waiver thereof.

**15. SEVERABILITY AND ENFORCEMENT**

If any provision of this Agreement or portion thereof is found to be invalid, unenforceable or void, then the parties intend that it be modified only to the extent necessary to render the provision enforceable as modified or, if the provision cannot be so modified, the parties intend that the offending language be severed, and that the remainder of this Agreement, and all remaining provisions remain valid, enforceable, and in full force and effect.

**16. GOVERNING LAW**

This Agreement shall be interpreted and construed in compliance with the laws of the State of California without regard to its conflict of law principles, unless a superseding Federal law is applicable and except as otherwise provided in Section 18(b).



## 17. WITHHOLDING

All payments made by the Company under this Agreement shall be reduced by any tax or other amounts required to be withheld by the Company under applicable law.

## 18. ARBITRATION

(a) The Company and Executive agree that, to the fullest extent permitted by law, any and all disputes, claims or controversies arising out of the terms of this Agreement, Executive's employment or Executive's compensation and benefits, or their interpretation, will be subject to binding arbitration in San Francisco, California before the American Arbitration Association ("AAA") under its Employment Arbitration Rules and Mediation Procedures, which are available at [www.adr.org](http://www.adr.org), (or by any other arbitration provider mutually agreed by the parties) by one arbitrator selected in accordance with said rules. Claims subject to arbitration shall include, without limitation, contract claims, tort claims, claims relating to compensation or stock options, and common law claims, as well as claims based on any federal, state or local law, statute, or regulation, including but not limited to any claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, and the California Fair Employment and Housing Act. However, claims for unemployment benefits, workers' compensation claims, and claims under the National Labor Relations Act shall not be subject to arbitration. The parties shall be entitled to more than minimal discovery and the arbitrator shall prepare a written decision containing the essential findings and conclusions on which the award is based so as to ensure meaningful judicial review of the decision. The arbitrator shall apply the same substantive law, with the same statutes of limitation and the same remedies that would apply if the claims were brought in a court of law.

(b) The arbitration provisions of this Agreement shall be governed by and enforceable pursuant to the Federal Arbitration Act. In all other respects for provisions not governed by the Federal Arbitration Act, this Agreement shall be construed in accordance with the laws of the State of California without reference to conflicts of law principles.

(c) Either the Company or Executive may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. Otherwise, neither party shall initiate or prosecute any lawsuit or claim in any way related to any arbitrable claim, including without limitation any claim as to the making, existence, validity, or enforceability of this Agreement. Nothing in this Agreement, however, precludes a party from filing an administrative charge before an agency that has jurisdiction over an arbitrable claim. Moreover, nothing in this Agreement prohibits either party from seeking provisional relief, including but not limited to temporary and permanent injunctive or other equitable relief.

(d) The Company and Executive agree that the prevailing party in any arbitration will be entitled to enforce the arbitration award in a court of competent jurisdiction. The Company and Executive understand and agree that this Agreement, and specifically this Section 18, constitutes a waiver of their right to a trial by jury of any claims or controversies covered by this Section 18.

(e) In the event of any litigation of any controversy or dispute arising out of or in connection with this Agreement, its interpretations, its performance or the like, the prevailing party shall be awarded reasonable attorneys' fees and/or costs. The Company agrees to pay the costs unique to arbitration, including without limitation AAA administrative fees, arbitrator compensation and expenses, and costs of witnesses called by the arbitrator ("Arbitration Costs"). Except to the extent set forth above, each party shall bear his or its own expenses, such as expert witness fees, attorneys' fees and costs.

## 19. PROTECTED RIGHTS

Notwithstanding any other provision of this Agreement, nothing contained in this Agreement prohibits Executive from filing a charge with or reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, or providing truthful testimony in response to a lawfully-issued subpoena or court order. Further, this Agreement does not limit Executive's ability to communicate with any governmental agency or entity or otherwise participate in any investigation or proceeding that may be conducted by any governmental agency or entity, including providing non-privileged documents or other information, without notice to Executive. Pursuant to 18 USC Section 1833(b), Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (x) in confidence to a

federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (y) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

This Amended and Restated Executive Employment Agreement was executed as of August 24, 2020.

COMPANY:

LANDEC CORPORATION

By: /s/ Debbie Carosella

Name: Debbie Carosella

Title: Chairman of the Compensation Committee of the Board of Directors

By: /s/ Andrew Powell

Name: Andrew Powell

Title: Chairman of the Board of Directors

EXECUTIVE:

ALBERT D. BOLLES, Ph.D.

/s/ Albert D. Bolles, Ph.D.

EXHIBIT A

**General Release (the “Release”)**

In exchange for good and valuable consideration, and intending to be legally bound by this Release, I, the undersigned, agree as follows:

1. GENERAL RELEASE

I agree, on behalf of myself and my heirs, representatives, successors, and assigns, to release the Company, its parents, subsidiaries, divisions, affiliates, and related entities and their respective past and present officers, directors, stockholders, managers, members, partners, employees, agents, servants, attorneys, predecessors, successors, representatives, and assigns (collectively the “Released Parties”), collectively, separately, and severally, of and from any and all rights, obligations, promises, agreements, debts, losses, controversies, claims, demands, causes of action, liabilities, suits, judgments, damages, and expenses, including without limitation attorneys’ fees and costs, of any nature whatsoever, whether known or unknown, foreseen or unforeseen, accrued or unaccrued, asserted or unasserted, which I ever had, now have, or hereafter may have against the Released Parties, or any of them, from the beginning of time up until the date I sign this Release, including without limitation the right to take discovery with respect to any matter, transaction, or occurrence existing or happening at any time before or upon my signing of this Release, with the exception of (i) any claims which cannot legally be waived by private agreement; and (ii) any claims which may arise after the date I sign this Release. This general release includes, but is not limited to, any and all claims whether based in equity, law or otherwise, including without limitation any federal, state, or local statute, code, regulation, rule, ordinance, constitution, order, or at common law. This general release includes, but is not limited to, any and all claims, related in any way to my employment with the Company and/or its predecessors, the termination of that employment), including but not limited to, any and all tort claims, contract claims, claims or demands related to stock, stock options or any other ownership interests in the Company, fringe benefits, severance pay wages, incentive compensation, bonuses, and other remuneration. My acceptance of this Release also releases any and all claims under the Age Discrimination in Employment Act of 1967, as amended (the “ADEA”). I understand that I should not construe this reference to age discrimination claims as in any way limiting the general and comprehensive nature of the release of claims provided under this Paragraph 1. Notwithstanding anything herein to the contrary, nothing in this Release shall be construed in any way to release (a) the Company’s post-employment obligations under the Amended and Restated Executive Employment Agreement by and between me and the Company, dated as of [ ], 2020 (the “Employment Agreement”); (b) the Company’s obligation to indemnify me pursuant to the Company’s indemnification obligation pursuant to agreement or applicable law; or (c) workers’ compensation benefits, unemployment compensation benefits, or any other rights or benefits that, as a matter of law, may not be waived, including but not limited to unwaivable rights I might have under federal and/or state law. This release does not limit or restrict my right under the ADEA to challenge the validity of this release in a court of law.

(a) Waiver of California Civil Code Section 1542

I also acknowledge that I have been advised of California Civil Code Section 1542, which reads as follows:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

I agree that I am waiving any and all rights I may have under California Civil Code Section 1542 with respect to the general release of claims in Paragraph 1 of this Release. In connection with this waiver, I acknowledge that I may hereafter discover claims presently unknown or unsuspected, or facts in addition to or different from those which I may now know or believe to be true, with respect to the claims released pursuant to Paragraph 1. Nevertheless, I intend to and do by this Release release, fully, finally and forever, in the manner described in Paragraph 1, all such claims as provided therein. This Release shall constitute the full and absolute

release of all claims and rights released in this Release, notwithstanding the discovery or existence of any additional or different claims or facts relating thereto.

(b) Release of Claims Under the ADEA; Consideration & Revocation Period

(i) ADEA Claims Released. I understand that the general release set forth in Paragraph 1 above includes a release of any claims I may have, if any, against the Released Parties under the ADEA. I understand that my waiver of rights and claims under the ADEA does not extend to any ADEA rights or claims arising after the date I sign this Release and I am not prohibited from challenging the validity of this release and waiver of claims under the ADEA.

(ii) Consideration Period. I acknowledge that I have been given a period of at least [twenty-one (21)] days from the date this Release was initially delivered to me to decide whether to sign this Release (the "Consideration Period"). If I decide to sign this Release before the expiration of the Consideration Period, which is solely my choice, I represent that my decision is knowing and voluntary. I agree that any revisions made to this Release after it was initially delivered to me were either not material or were requested by me, and do not re-start the Consideration Period. I have been advised to consult with an attorney of my own choosing prior to signing this Release.

(iii) Revocation Period; Effective Date. I understand that I may revoke this Release within seven (7) days after I have signed it (the "Revocation Period"). This Release shall not become effective or enforceable until the eighth (8th) day after I sign this Release without having revoked it (the "Effective Date"). In the event I choose to revoke this Release, I must notify the Company in writing in accordance with Section 12 of the Employment Agreement and directed to the Chairman of the Board of Directors in which case this Release shall have no force or effect.

2. REPRESENTATIONS & WARRANTIES

By signing below, I represent and warrant as follows:

- (a) There are no pending complaints, charges or lawsuits filed by me against any of the Released Parties.
- (b) I am the sole and lawful owner of all rights, title and interest in and to all matters released under Paragraph 1, above, and I have not assigned or transferred, or purported to assign or transfer, any of such released matters to any other person or entity.
- (c) I have been properly paid for all hours worked, and I have received all compensation due through my last date of employment with the Company.
- (d) The Company has reimbursed me for all Company-related expenses incurred by me in direct consequence of the discharge of my duties, or of my obedience to the directions of the Company.
- (e) The Company has not denied me the right to take leave under the Family and Medical Leave Act or any other federal, state or local leave law.
- (f) I have not suffered or incurred any workplace injury in the course of my employment with the Company, other than any injury that was made the subject of a written injury report before I signed this Release.
- (g) I confirm that the Confidential Information and Invention Assignment Agreement and Sections 8, 9 and 10 of the Employment Agreement and such other Sections as are necessary to give effect to those Sections survive the termination of the Employment Agreement, my employment, and my execution of this Release.

### 3. MISCELLANEOUS

(a) Notwithstanding any other provision of this Release, nothing contained in this Release prohibits me from filing a charge with or reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, or providing truthful testimony in response to a lawfully-issued subpoena or court order. Further, this Release does not limit my ability to communicate with any governmental agency or entity or otherwise participate in any investigation or proceeding that may be conducted by any governmental agency or entity, including providing non-privileged documents or other information, without notice to me. Pursuant to 18 USC Section 1833(b), I will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (y) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(b) All defined terms in this Release are as defined in the Employment Agreement unless otherwise provided herein.

(c) I agree and acknowledge that the Employment Agreement provides me with benefits from the Company which, in their totality, are greater than those to which I otherwise would be entitled.

(d) Nothing in the Employment Agreement or this Release should be construed as an admission of wrongdoing or liability on the part of the Company or the other Released Parties, who expressly deny any liability whatsoever.

(e) This Release and its interpretation shall be governed and construed in accordance with the laws of the State of California without regard to its conflict of law principles.

(f) If any provision of this Release or portion thereof is found to be invalid, void or unenforceable, then the parties intend that it be modified only to the extent necessary to render the provision enforceable as modified or, if the provision cannot be so modified, the parties intend that the offending language be severed, and that the remainder of this Release, and all remaining provisions, remain valid, enforceable, and in full force and effect.

(g) Each of the Released Parties is an intended third-party beneficiary of this Release having full rights to enforce this Release.

(h) A facsimile or scanned (e.g., .PDF, etc.) signature on this Release shall be deemed to be an original.

**By signing this Release, I acknowledge that I do so voluntarily after carefully reading and fully understanding each provision and all of the effects of this Release, which includes a release of known and unknown claims and restricts future legal action against the Company and other Released Parties.**

Albert D. Bolles, Ph.D.

/s/ Albert D. Bolles, Ph.D.

Dated: August 24, 2020

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002

I, Albert D. Bolles, Ph.D., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Landec Corporation;

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

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

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

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

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

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

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

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

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

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

Date: October 7, 2020

/s/ Albert D. Bolles, Ph.D.

Albert D. Bolles, Ph.D.

*President and Chief Executive Officer  
(Principal Executive Officer)*

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002

I, Brian McLaughlin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Landec Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 7, 2020

/s/ Brian McLaughlin  
Brian McLaughlin  
*Chief Financial Officer and  
Vice President of Finance and Administration  
(Principal Financial Officer)*



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

In connection with the Quarterly Report of Landec Corporation (the "Company") on Form 10-Q for the period ended August 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Albert D. Bolles, Ph.D., Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 7, 2020

/s/ Albert D. Bolles, Ph.D.  
Albert D. Bolles, Ph.D.  
*President and Chief Executive Officer*  
*(Principal Executive Officer)*

\* The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

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

In connection with the Quarterly Report of Landec Corporation (the "Company") on Form 10-Q for the period ended August 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian McLaughlin, Chief Financial Officer and Vice President of Finance and Administration of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 7, 2020

/s/ Brian McLaughlin  
Brian McLaughlin  
*Chief Financial Officer and  
Vice President of Finance and Administration  
(Principal Financial Officer)*

\* The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.