SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR THE FISCAL QUARTER ENDED APRIL 29, 2001, or

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

For the Transition period from _____ to _____.

Commission file number: 0-27446

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

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

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

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

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 at least the past 90 days.

Yes X No

As of May 25, 2001, there were 16,348,138 shares of Common Stock and 166,667 shares of Convertible Preferred Stock, convertible into ten shares of Common Stock for each share of Preferred Stock, outstanding.

LANDEC CORPORATION

FORM 10-Q For the Quarter Ended April 29, 2001

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LANDEC CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)
(IN THOUSANDS)

	April 29, 2001	October 29, 2000
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 5,937	$ 9,589
Accounts receivable, less allowance for doubtful accounts of $587 and $627 at April 29, 2001 and October 29, 2000	19,469	22,725
Inventory	17,853	14,501
Investment in farming activities	288	2,672
Notes and advances receivable	6,901	8,519
Notes receivable, related party	156	151
Prepaid expenses and other current assets	1,861	1,958
Assets held for sale	3,014	2,963
Total Current Assets	55,479	63,078
Property and equipment, net	27,021	24,437
Intangible assets, net	42,148	43,386
Notes receivable	689	720
Other assets	886	1,631
	$ 126,223	$ 133,252
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 22,012	$ 19,374
Grower payables	2,859	13,651
Related party payables	381	262
Accrued compensation	1,449	2,470
Other accrued liabilities	9,037	9,522
Deferred revenue	560	2,265
Lines of credit	16,666	9,609
Current maturities of long term debt	3,757	3,584
Total Current Liabilities	56,721	60,737
Long term debt, less current maturities	14,597	16,631
Other liabilities	2,087	2,442
Minority interest	1,070	1,264
Total Liabilities	74,475	81,074
Shareholders' Equity:		
Preferred stock	9,149	9,149
Common stock	92,882	92,555
Accumulated deficit	(50,283)	(49,526)
Total Shareholders' Equity	51,748	52,178
	$ 126,223	$ 133,252

SEE ACCOMPANYING NOTES.

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

	Three Months Ended		Six Months Ended	
	April 29, 2001	April 30, 2000 (restated)	April 29, 2001	April 30, 2000 (restated)
Revenues:				
Product sales	$ 47,010	$ 43,481	$ 80,035	$ 65,543
Services revenue	14,422	16,943	28,879	27,989
Services revenue, related party	615	202	1,028	761
Research and development revenues	122	145	229	275
License fees	93	93	187	187
Total revenues	62,262	60,864	110,358	94,755
Cost of revenue:				
Cost of product sales	36,220	33,406	65,099	52,182
Cost of product sales, related party	93	80	107	138
Cost of services revenue	13,940	14,899	27,319	25,599
Total cost of revenue	50,253	48,385	92,525	77,919
Gross profit	12,009	12,479	17,833	16,836
Operating costs and expenses:				
Research and development	1,102	1,103	2,217	2,154
Selling, general and administrative	7,290	8,133	15,450	13,886
Total operating costs and expenses	8,392	9,236	17,667	16,040
Operating profit	3,617	3,243	166	796
Interest income	169	274	310	416
Interest expense	(620)	(709)	(1,285)	(1,039)
Other income	16	100	52	95
Net income (loss) before the cumulative effect of change in accounting principle	3,182	2,908	(757)	268
Cumulative effect of change in accounting principle	--	--	--	(1,914)
Net income (loss)	$ 3,182	$ 2,908	$ (757)	$ (1,646)
Amounts per common share:				
Net income (loss) before cumulative effect of change in accounting principle	$ 0.20	$ 0.18	$ (0.05)	$ 0.01
Cumulative effect of change in accounting principle	--	--	--	(0.12)
Basic net income (loss) per share	$ 0.20	$ 0.18	$ (0.05)	$ (0.11)
Net income (loss) before cumulative effect of change in accounting principle	$ 0.15	$ 0.13	$ (0.05)	$ 0.01
Cumulative effect of change in accounting principle	--	--	--	(0.12)
Diluted net income (loss) per share	$ 0.15	$ 0.13	$ (0.05)	$ (0.11)
Shares used in per share computation:				
Basic	16,306	15,993	16,228	15,537
Diluted	18,357	18,558	16,228	15,537

SEE ACCOMPANYING NOTES.

LANDEC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

	Six Months Ended	
	April 29, 2001	April 30, 2000 (restated)
Cash flows from operating activities:		
Net income (loss)	$ (757)	$ 268
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	3,139	2,701
Cumulative effect of change in accounting principle	--	1,914
Disposal of property and equipment	486	--
Changes in current assets and liabilities:		
Accounts receivable	3,256	(4,013)
Inventory	(3,352)	(2,330)
Investment in farming activities	2,384	1,467
Prepaid expenses and other current assets	97	1,069
Accounts payable	2,638	7,681
Grower payables	(10,792)	(197)
Related party payables	119	157
Accrued compensation	(1,021)	(344)
Other accrued liabilities	(485)	(3,654)
Deferred revenue	(1,705)	(4,125)
Total adjustments	(5,236)	326
Net cash (used in) provided by operating activities	(5,993)	594
Cash flows from investing activities:		
Decrease in other assets and liabilities	390	500
Purchases of property and equipment	(4,657)	(1,727)
Decrease (increase) in notes receivable and advances	1,644	(4,621)
Acquisition costs related to earn-out provisions	(363)	(407)
Acquisition of Apio, Inc., net of cash received	--	(5,813)
Net cash used in investing activities	(2,986)	(12,068)
Cash flows from financing activities:		
Proceeds from sale of preferred stock	--	9,149
Proceeds from sale of common stock	327	308
Borrowings on lines of credit	21,459	6,177
Payments on lines of credit	(14,402)	--
Borrowing of long term debt	250	--
Repayment of long term debt	(2,113)	(647)
Increase (decrease) in minority interest liability	19	(18)
Distributions to minority interest	(213)	(245)
Net cash provided by financing activities	5,327	14,724
Net increase (decrease) in cash and cash equivalents	(3,652)	3,250
Cash and cash equivalents at beginning of period	9,589	3,203
Cash and cash equivalents at end of period	5,937	$ 6,453

SEE ACCOMPANYING NOTES.

LANDEC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Landec Corporation ("Landec" or the "Company") have been prepared in accordance with generally accepted accounting principles 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) necessary to present fairly the financial position, results of operations, and cash flows at April 29, 2001, and for all periods presented, have been made. 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 generally accepted accounting principles have been condensed or omitted per the rules and regulations of the Securities and Exchange Commission. 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 October 29, 2000.

The results of operations for the six month period ended April 29, 2001 are not necessarily indicative of the results that may be expected for the fiscal year ended October 28, 2001. For instance, due to the cyclical nature of the corn seed industry, a significant portion of revenues and profits for Landec Ag, Landec's agricultural technology subsidiary, is concentrated over a few months during the spring planting season (generally during Landec's second fiscal quarter).

2. RECENT PRONOUNCEMENTS

As of October 30, 2000, the Company adopted the Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," as amended in June 2000 by Statement of Financial Accounting Standards No. 138 ("SFAS 138"), "Accounting for Certain Derivative Instruments and Certain Hedging Activities," which requires companies to recognize all derivatives as either assets or liabilities in the balance sheet and measure such instruments at fair value. The adoption of these statements did not have a material impact on the Company's consolidated financial statements.

3. RECLASSIFICATIONS

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

4. NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted net income for the periods with net income (in thousands except per share amounts):

	Three Months Ended April 29, 2001	Three Months Ended April 30, 2000
Numerator:		
Net income for basic net income per share	$ 3,182	$ 2,908
Less: Minority interest in income of subsidiary	(458)	(551)
Net income for diluted net income per share	$ 2,724	$ 2,357
Denominator:		
Weighted average shares for basic net income per share	16,306	15,993
Effect of dilutive securities:		
Stock Options	384	898
Convertible preferred stock	1,667	1,667
Total dilutive common shares	2,051	2,565
Weighted average shares for diluted net income per share	18,357	18,558
Basic net income per share	$ 0.20	$ 0.18
Diluted net income per share	$ 0.15	$ 0.13

5. REVENUE RECOGNITION AND RESTATEMENT

The Company previously recognized noncancellable, nonrefundable license fees as revenue when received and when all significant contractual obligations of the Company relating to the fees had been met. On November 1, 1999, the Company changed its method of accounting for noncancellable, nonrefundable license fees to recognize such fees over the research and development period of the agreement, as well as the term of any related supply agreement entered into concurrently with the license when the risk associated with commercialization of a product is non-substantive at the outset of the arrangement. The Company believes the change in accounting principle is preferable based on guidance provided in the Staff Accounting Bulletin ("SAB") No. 101 - REVENUE RECOGNITION IN FINANCIAL STATEMENTS. The $1.9 million cumulative effect of the change in accounting principle, calculated as of November 1, 1999, was originally reported as a charge in the quarter ended October 29, 2000. SAB No. 101 was adopted in accordance with APB No. 2 and accordingly the financial statements for the six months ended April 29, 2000 have been restated as if the provisions of SAB No. 101 had been applied at the beginning of the year of adoption. The cumulative effect was recorded as deferred revenue and is being recognized as revenue over the research and development period or supply period commitment of the agreement. For the three months and six months ended April 29, 2001 and April 30, 2000, $93,000 and $187,000, respectively, of the related deferred revenue was recognized as "recycled" revenue.

6. INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market and consisted of the following (in thousands):

	April 29, 2001	October 29, 2000
Finished goods	$ 9,167	$ 5,889
Raw material	7,745	7,661
Work in process	941	951
	$17,853	$14,501

7. REVOLVING DEBT AND AMENDMENT TO CREDIT AGREEMENT

The $7.1 million increase in the Company's lines of credit during the first six months of fiscal year 2001 was due to seasonal needs at Landec Ag for seed corn purchases that will be carried over and sold in fiscal year 2002 and for sourcing of produce at Apio, Inc. ("Apio") which requires up-front investments of cash.

In February 2001, the Apio revolving line of credit was amended. The amendment reduces the maximum borrowings from $12.0 million to $10.0 million but increases the computed amount available under the line, determined as a percentage of certain eligible assets (primarily receivables) by $4.0 million through March 31, 2001 and $2.0 million from April 1, 2001 through July 31, 2001. The amendment also precludes the payment of earn-outs due under the Apio purchase agreement until August 2001.

In April 2001, the Apio revolving line of credit was further amended. The amendment increases the maximum borrowings to $12.0 million from $10.0 million until July 31, 2001 and increased the interest rate margin by 75 basis points from prime plus .50% to prime plus 1.25%. In addition, the computed amount available under the line as determined as a percentage of certain eligible assets (primarily receivables) was increased by $4.0 million through July 31, 2001 and capital expenditure limits for fiscal year 2001 were increased from $3.3 million up to $5.7 million based on the additional $2.4 million being financed by a third party lender.

In May 2001, Apio entered into a lease agreement to fund the purchase of an ERP business system. Terms of the agreement are 36 months at an average annual interest rate of 11% with a fair market value buyout at the end of the term. Security for the lease is the hardware portion plus a Letter of Credit ("LOC") equal to 50% of the non-hardware portion of the lease. As of June 12, 2001 the LOC balance was $740,000.

8. BUSINESS SEGMENT REPORTING

Landec operates in two business segments: the Food Products Technology segment and the Agricultural Seed Technology segment. The Food Products Technology segment markets and packs produce and specialty packaged whole and fresh-cut vegetables that incorporate the Intellipac-TM- breathable membrane for the retail grocery, club store and food services industry through its Apio subsidiary. The amounts presented for the first six months of fiscal year 2000 include the results of Apio from the effective close date of November 29, 1999 through April 30, 2000. The Agricultural Seed Technology segment markets and distributes hybrid seed corn to the farming industry and is developing seed coatings using Landec's proprietary Intelimer(R) polymers. The Food Products Technology and Agricultural Seed Technology segments include charges for corporate services allocated from the Corporate and Other segment. Corporate and other amounts include non-core operating activities, corporate operating costs and net interest expense.

Operations by Business Segment (in thousands):

Quarter ended April 29, 2001	Food Products Technology	Agricultural Seed Technology	Corporate and Other	TOTAL
Net sales	$ 43,379	$ 15,685	$ 3,198	$ 62,262
Net income (loss)	$ (462)	$ 4,049	$ (405)	$ 3,182
Quarter ended April 30, 2000				
Net sales	$ 40,896	$ 16,399	$ 3,569	$ 60,864
Net income (loss)	$ (1,588)	$ 4,468	$ 28	$ 2,908
Six months ended April 29, 2001				
Net sales	$ 88,299	$ 15,737	$ 6,322	$ 110,358
Net income (loss)	$ (1,283)	$ 1,462	$ (936)	$ (757)
Six months ended April 30, 2000				
Net sales	$ 71,129	$ 16,654	$ 6,972	$ 94,755
Net income (loss) before cumulative effect of change in accounting principle	$ (1,834)	$ 2,022	$ 80	$ 268

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 October 29, 2000.

Except for the historical information contained herein, the matters discussed in this report are forward-looking statements within the meaning of Section 21E of the Securities and Exchange Act of 1934. These forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Potential risks and uncertainties include, without limitation, those mentioned in this report and, in particular the factors described below under "Additional Factors That May Affect Future Results," and those mentioned in Landec's Annual Report on Form 10-K for the fiscal year ended October 29, 2000. Landec undertakes no obligation to revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this report.

OVERVIEW

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

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

Landec's Agricultural Seed Technology business, operated through its wholly owned subsidiary Landec Ag, combines Landec's proprietary seed coating technology with a unique Fielder's Choice Direct system of selling called eDC(TM) - e-commerce, direct marketing and consultative sales.

In addition to its core businesses, Landec also operates a Technology Licensing/Research and Development Business which licenses products to industry leaders such as Alcon Laboratories, Inc., Nitta Corporation and Hitachi Chemicals. It also engages in research and development activities with companies such as ConvaTec, a division of Bristol-Myers Squibb, and UCB Chemicals Corporation.

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

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

Based on this core technology, Landec has launched to date four broad product lines - QuickCast(TM) splints and casts in April 1994, which was subsequently sold to Bissell Healthcare Corporation in August 1997; Intellipac(TM) breathable membranes for the fresh-cut produce packaging market beginning in September 1995; Intelimer polymer systems for the industrial specialties market beginning in June 1997; and Intellicoat(R) coatings for inbred corn seed beginning in October 1999.

Landec has been unprofitable during each fiscal year since its inception and may incur additional losses in the future. The amount of future net profits, if any, is highly uncertain and there can be no assurance that Landec will be able to reach or sustain profitability for an entire fiscal year. From inception through April 29, 2001, Landec's accumulated deficit was $50.3 million.

RESULTS OF OPERATIONS

Total revenues were $62.3 million for the second quarter of fiscal year 2001, compared to $60.9 million for the second quarter of fiscal year 2000. Revenues from product sales and services increased to $62.0 million in the second quarter of fiscal year 2001 from $60.6 million in the second quarter of fiscal year 2000. The increase in product sales and service revenues was primarily due to increased revenues for Apio's value added fresh-cut vegetable business which increased from $13.3 million in the second quarter of fiscal year 2000 to $16.0 million during the same period of fiscal year 2001, partially offset by a reduction in sales for Landec Ag to $15.7 million in the second quarter of fiscal year 2001 from $16.4 million in the second quarter of fiscal year 2000. The decrease in Landec Ag revenues was due to a decrease in the sales volume of uncoated hybrid corn seed. Revenues from research and development funding were $122,000 for second quarter of fiscal year 2001 compared to $145,000 for the second quarter of fiscal year 2000. Revenues from license fees remained unchanged at $93,000 for the second quarter of fiscal years 2001 and 2000. For the first six months of fiscal year 2001 total revenues were $110.4 million compared to $94.8 million during the same period in 2000. Revenues from product sales and services for the first six months of fiscal year 2001 increased to $109.9 million from $94.3 million during the same period of fiscal year 2000 due primarily to including the results of Apio for a full six months in fiscal year 2001 versus only five months in fiscal year 2000. Revenues from research and development funding for the first six months of fiscal year 2001 decreased to $229,000 from $275,000 during the same period of fiscal year 2000. Revenues from licensing fees remained unchanged at $187,000 for the six month period of fiscal years 2001 and 2000.

Cost of product sales and services consists of material, labor and overhead. Cost of product sales and services was $50.3 million for the second quarter of fiscal year 2001 compared to $48.4 million for the second quarter of fiscal year 2000. Gross profit from product sales and services as a percentage of revenue from product sales and services decreased from 20% in the second quarter of fiscal year 2000 to 19% in the second quarter of fiscal year 2001. Cost of product sales and services for the first six months of fiscal year 2001 was $92.5 million compared to $77.9 million during the same period in fiscal year 2000. Gross profit from product sales and services as a percentage of revenue from product sales and services decreased to 16% for the first six months of fiscal year 2001 from 17% during the same period of fiscal year 2000. The decreases in gross profit percentages were primarily the result of Apio's higher costs during fiscal year 2001 associated with sourcing crops during the winter months. Overall gross profit decreased from $12.5 million for the three month period ended April 30, 2000 to $12.0 million for the same period of fiscal year 2001. This decrease was due primarily to lower margins on lower Landec Ag revenues during the second quarter of fiscal year 2001 as compared to the year ago second quarter. For the six month period ended April 30, 2000 gross profits increased from $16.8 million in fiscal year 2000 to $17.8 million for the same period in fiscal year 2001, an increase of 6% for the first six months of fiscal year 2001 compared to the same period in fiscal year 2000. This increase is primarily due to gross profit from Apio value added fresh-cut business partially offset by lower margins on decreased sales at Landec Ag and Apio's increased farming losses from winter season produce sourcing in the desert.

Research and development expenses remained the same at $1.1 million for the second quarter of fiscal years 2001 and 2000. Research and development expenses also remained flat at $2.2 million for the first six months of fiscal years 2001 and 2000. Landec's research and development expenses consist primarily of expenses involved in the development of, process scale-up of, and efforts to protect intellectual property content of

Landec's enabling side chain crystallizable polymer technology and research and development expenses related to Dock Resins' products.

Selling, general and administrative expenses were $7.3 million for the second quarter of fiscal year 2001 compared to $8.1 million for the second quarter of fiscal year 2000, a decrease of 10%. For the first six months of fiscal year 2001 selling, general and administrative expenses were $15.5 million compared to $13.9 million during the same period in fiscal year 2000, an increase of 11%. Selling, general and administrative expenses consist primarily of sales and marketing expenses associated with Landec's product sales and services, business development expenses, and staff and administrative expenses. Selling, general and administrative expenses decreased during the three month period ended April 29, 2001 as compared to the same period of fiscal year 2000 primarily as a result of decreased expenses at Landec Ag after a February 2001 reduction in force. The increase in selling, general and administrative expense during the six month period ended April 29, 2001 as compared to the same period of fiscal year 2000 results from including Apio for a full six months in fiscal year 2001 compared to only five months in fiscal year 2000. Sales and marketing expenses decreased to $3.0 million for the second quarter of fiscal year 2001 from $3.5 million for the second quarter of fiscal year 2000. For the first six months of fiscal year 2001 sales and marketing expenses decreased to $6.2 million from $6.4 million during the same period of fiscal year 2000.

Interest income for the three and six month periods ended April 29, 2001 were $169,000 and $310,000, respectively, compared to $274,000 and $416,000 for the same periods of fiscal year 2000. These decreases in interest income were due principally to less cash available for investing. Interest expense for the three and six months periods ended April 29, 2001 were $620,000 and $1.3 million, respectively, compared to $709,000 and $1.0 million for the same periods of fiscal year 2000. The decrease in interest expense for the second quarter of fiscal year 2001 as compared to the same period in fiscal year 2000 is due to the capitalization of interest incurred to finance Apio's new business system and Dock Resins' new laboratory and office building. For the six month period interest expense was higher in fiscal year 2001 as compared to fiscal year 2000 due to having Apio debt for a full six months in fiscal year 2001 versus only five months in fiscal year 2000.

LIQUIDITY AND CAPITAL RESOURCES

As of April 29, 2001, Landec had cash and cash equivalents of $5.9 million, a net decrease of $3.7 million from $9.6 million as of October 29, 2000. This decrease was primarily due to the net of: a) cash used in operations of $6.0 million; b) the purchase of $4.7 million of property, plant and equipment; c) payment on long term debt and to minority interests of $2.4 million, partially offset by; d) net borrowings of $7.3 million and; e) collections of notes receivable and advances of $1.6 million.

During the first six months of fiscal year 2001, Landec purchased equipment to support the development of Apio's value added products, and incurred building and laboratory improvement and equipment upgrade expenditures at Dock Resins and initiated implementation of a new ERP business system at Apio. These expenditures represented the majority of the $4.7 million of property and equipment purchased during the first six months of fiscal year 2001.

In November 1999 the Company raised $10 million upon the sale of Preferred Stock ($9.1 million net of issuance costs). In December 1999, in conjunction with the acquisition of Apio, the Company secured $11.25 million of term debt and a $12 million line of credit with Bank of America. The term debt and line of credit agreements ("Loan Agreement") contain restrictive covenants that require Apio to meet certain financial tests, including minimum levels of EBITDA (as defined in the Loan Agreement), minimum fixed charge coverage ratio, minimum current ratio, minimum adjusted net worth and maximum leverage ratios. These requirements and ratios generally become more restrictive over time. The Loan Agreement, through restricted payment covenants, limits the ability of Apio to make cash payments to Landec, until the outstanding balance is reduced to an amount specified in the Loan Agreement. In February 2001 and April 2001, the Apio revolving line of credit was amended. The amendments reduce the maximum borrowings from $12.0 million to $10.0 million effective July 31, 2001 and increase the computed amount available under the line, determined as a percentage of certain eligible assets (primarily receivables) by $4.0 million through July 31, 2001. The amendment also precludes the payment of earn-outs due under the Apio purchase agreement until August 2001. Management does not believe that the reduction of

the borrowing capacity on July 31, 2001, adversely impacts liquidity as the Company has generally not needed to borrow in excess of $10.0 million on the line with the exception of the current year due to excess costs incurred in sourcing produce this winter. In May 2001, Apio entered into a lease agreement to fund the purchase of a new ERP business system. As of June 2001, $1.6 million of the estimated $2.3 million in total costs had been financed. In June 2000, Landec Ag established a $3.0 million bank line of credit for working capital needs based on inventory values and a $1.0 million equipment line of credit to be used to fund the expansion of the manufacturing capabilities of Intellicoat seed coating products. In February 2001, Dock Resins increased its equipment line of credit by $1.0 million to pay for building and lab improvements. Landec believes that these facilities, the sale of the Reedley facility and related fruit processing equipment, along with existing cash, cash equivalents and existing borrowing capacities will be sufficient to finance its operational and capital requirements through at least the next twelve months. Borrowings on Landec's lines of credit are expected to vary with seasonal requirements of the Company's businesses. The Company may, however, raise additional funds during the next twelve months through another debt financing or an equity financing. If an equity financing occurs it will have a dilutive effect on current shareholders. Landec's future capital requirements, however, will depend on numerous factors, including the progress of its research and development programs; the development of commercial scale manufacturing capabilities; the development of marketing, sales and distribution capabilities; the ability of Landec to establish and maintain new collaborative and licensing arrangements; the continued assimilation and integration of Apio into Landec; any decision to pursue additional acquisition opportunities; adverse weather conditions that can affect the supply and price of produce, the timing and amount, if any, of payments received under licensing and research and development agreements; the costs involved in preparing, filing, prosecuting, defending and enforcing intellectual property rights; the ability to comply with regulatory requirements; the emergence of competitive technology and market forces; the effectiveness of product commercialization activities and arrangements; the amount of future earn-out payments; and other factors. If Landec's currently available funds, together with the internally generated cash flow from operations are not sufficient to satisfy its financing needs, Landec would be required to seek additional funding through other arrangements with collaborative partners, additional bank borrowings and public or private sales of its securities. There can be no assurance that additional funds, if required, will be available to Landec on favorable terms if at all.

ADDITIONAL FACTORS THAT MAY AFFECT FUTURE RESULTS

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

WE HAVE A HISTORY OF LOSSES WHICH MAY CONTINUE

Landec has incurred net losses in each fiscal year since its inception. Landec's accumulated deficit as of April 29, 2001 totaled $50.3 million. Landec may incur additional losses in the future. The amount of future net profits, if any, is highly uncertain and there can be no assurance that Landec will be able to reach or sustain profitability for an entire fiscal year.

OUR SUBSTANTIAL INDEBTEDNESS COULD LIMIT OUR FINANCIAL AND OPERATING FLEXIBILITY

At April 29, 2001, Landec's total debt, including current maturities and capital lease obligations, was approximately $35.0 million and the total debt to equity ratio was approximately 68%. This level of indebtedness could have significant consequences because a substantial portion of Landec's net cash flow from operations must be dedicated to debt service and will not be available for other purposes, Landec's ability to obtain additional debt financing in the future for working capital, capital expenditures or acquisitions may be limited, and Landec's level of indebtedness may limit its flexibility in reacting to changes in the industry and economic conditions generally.

In connection with the Apio acquisition, Landec may be obligated to make future payments to the former stockholders of Apio of up to $15.5 million for a performance based earnout and future supply of produce. Of this amount, $4.1 million is due to be paid in August 2001.

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

Apio is subject to various financial and operating covenants under its term debt and line of credit facilities, including minimum levels of EBITDA (as defined in the Loan Agreement), minimum fixed charge coverage ratio, minimum current ratio, minimum adjusted net worth and maximum leverage ratios. These requirements and ratios generally become more restrictive over time. The Loan Agreement limits the ability of Apio to make cash payments to Landec until the outstanding balance is reduced to an amount specified in the Loan Agreement. Landec Ag and Dock Resins are subject to certain restrictive covenants in their loan agreements which limit the ability of Landec Ag and Dock Resins to make payments on debt owed to Landec. Landec has pledged substantially all of Apio's, Landec Ag's and Dock Resins' assets to secure their bank debt. Landec's failure to comply with the obligations under the loan agreements, including maintenance of financial ratios, could result in an event of default, which, if not cured or waived, would permit acceleration of the indebtedness due under the loan agreements.

OUR FUTURE OPERATING RESULTS ARE LIKELY TO FLUCTUATE WHICH MAY CAUSE OUR STOCK PRICE TO DECLINE

In the past, Landec's results of operations have fluctuated significantly from quarter to quarter and are expected to continue in the future. Historically, Landec's direct marketer of hybrid corn seed, Landec Ag, has been the primary source of these fluctuations, as its revenues and profits are concentrated over a few months during the spring planting season (generally during Landec's second quarter). In addition, Apio can be heavily affected by seasonal and weather factors which could impact quarterly results, such as the high cost of sourcing product during the first quarter of fiscal year 2001 as a result of weather related freezes in November and early December of 2000. Landec's earnings in its Food Products Technology business will be sensitive to price fluctuations in the fresh vegetables and fruits markets. Excess supplies can cause intense price competition. Other factors affecting Landec's food and/or agricultural operations include the seasonality of its supplies, the ability to process produce during critical harvest periods, the timing and effects of ripening, the degree of perishability, the effectiveness of worldwide distribution systems, the terms of various federal and state marketing orders, total worldwide industry volumes, the seasonality of consumer demand, foreign currency fluctuations, foreign importation restrictions and foreign political risks. As a result of these and other factors, Landec expects to continue to experience fluctuations in quarterly operating results, and there can be no assurance that Landec will be able to reach or sustain profitability for an entire fiscal year.

WE MAY NOT BE ABLE TO ACHIEVE ACCEPTANCE OF OUR NEW PRODUCTS IN THE MARKETPLACE

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

There can be no assurance that Landec will be able to successfully develop, commercialize, achieve market acceptance of or reduce the costs of producing Landec's new products, or that Landec's competitors will not develop competing technologies that are less expensive or otherwise superior to those of Landec. There can be no assurance that Landec will be able to develop and introduce new products and technologies in a timely manner or that new products and technologies will gain market acceptance. Landec is in the early stage of product commercialization of Intellipac breathable membrane, Intellicoat seed coating and Intelimer polymer systems products and many of its potential

products are in development. Landec believes that its future growth will depend in large part on its ability to develop and market new products in its target markets and in new markets. In particular, Landec expects that its ability to compete effectively with existing food products, agricultural, industrial and medical companies will depend substantially on successfully developing, commercializing, achieving market acceptance of and reducing the cost of producing Landec's products. In addition, commercial applications of Landec's temperature switch polymer technology are relatively new and evolving.

WE FACE 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 Landec or that would render Landec's technology and products obsolete and non-competitive. Landec operates in highly competitive and rapidly evolving fields, and new developments are expected to continue at a rapid pace. Competition from large food products, agricultural, industrial and medical companies is expected to be intense. In addition, the nature of Landec's collaborative arrangements may result in its corporate partners and licensees becoming competitors of Landec. Many of these competitors have substantially greater financial and technical resources and production and marketing capabilities than Landec, and may have substantially greater experience in conducting clinical and field trials, obtaining regulatory approvals and manufacturing and marketing commercial products.

WE HAVE LIMITED MANUFACTURING EXPERIENCE AND MAY HAVE TO DEPEND ON THIRD PARTIES TO MANUFACTURE OUR PRODUCTS

Landec may need to consider seeking collaborative arrangements with other companies to manufacture some of its products. If Landec becomes dependent upon third parties for the manufacture of its products, then Landec's profit margins and its ability to develop and deliver those products on a timely basis may be affected. Failures by third parties may impair Landec's ability to deliver products on a timely basis, impair Landec's competitive position, or may delay the submission of products for regulatory approval. In late fiscal 1999, in an effort to reduce reliance on third party manufacturers, Landec began the set up of a manufacturing operation at its facility in Menlo Park, California, for the production of Intellipac breathable membrane packaging products. There can be no assurance that Landec can successfully operate a manufacturing operation at acceptable costs, with acceptable yields, and retain adequately trained personnel.

Although Landec believes Dock Resins will provide Landec with practical knowledge in the scale-up of Intelimer polymer products, production in commercial-scale quantities may involve technical challenges for Landec. Landec anticipates that a portion of its products will be manufactured in the Linden, New Jersey facility acquired in the purchase of Dock Resins. Landec's reliance on this facility involves a number of potential risks, including the unavailability of, or interruption in access to, some process technologies and reduced control over delivery schedules, and low manufacturing yields and high manufacturing costs. In February 2000, Dock Resins had a fire in its research and development laboratory in Linden, New Jersey which hindered its ability to develop new products and samples for potential and existing customers. The laboratory has been rebuilt and became fully operational in June 2001.

OUR DEPENDENCE ON SINGLE SUPPLIERS MAY CAUSE DISRUPTION IN OUR OPERATIONS SHOULD ANY SUPPLIER FAIL TO DELIVER MATERIALS

No assurance can be given that Landec will not experience difficulty is acquiring materials for the manufacture of its products or that Landec will be able to obtain substitute vendors, or that Landec will be able to procure comparable materials or hybrid corn varieties at similar prices and terms within a reasonable time. Many of the raw materials used in manufacturing Landec's products are currently purchased from a single source, including some monomers used to synthesize Intelimer polymers and substrate materials for Landec's breathable membrane products. In addition, virtually all of the hybrid corn varieties sold by Landec Ag are purchased from a single source. Any interruption of supply could delay product shipments and materially harm our business.

WE MAY BE UNABLE TO ADEQUATELY PROTECT OUR INTELLECTUAL PROPERTY RIGHTS

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

OUR OPERATIONS ARE SUBJECT TO ENVIRONMENTAL REGULATIONS THAT DIRECTLY IMPACT OUR BUSINESS

Federal, state and local regulations impose various environmental controls on the use, storage, discharge or disposal of toxic, volatile or otherwise hazardous chemicals and gases used in some of the manufacturing processes, including those utilized by Dock Resins. As a result of historic off-site disposal practices, Dock Resins was involved in two actions seeking to compel the generators of hazardous waste to remediate hazardous waste sites. Dock Resins has been informed by its counsel that it was a DE MINIMIS generator to these sites, and these actions have been settled without the payment of any material amount by Landec. In addition, the New Jersey Industrial Site Recovery Act ("ISRA") requires an investigation and remediation of any industrial establishment, like Dock Resins, which changes ownership. This statute was activated by Landec's acquisition of Dock Resins. Dock Resins has completed its investigation of the site, delineated the limited areas of concern on the site, and completed the bulk of the active remediation required under the statute. The costs associated with this effort are being borne by the former owner of Dock Resins, and counsel has advised Dock Resins and Landec that funds of the former owner required by ISRA to be set aside for this effort are sufficient to pay for the successful completion of remedial activities at the site. In most cases, Landec believes its liability will be limited to sharing clean-up or other remedial costs with other potentially responsible parties. Any failure by Landec to control the use of, or to restrict adequately the discharge of, hazardous substances under present or future regulations could subject it to substantial liability or could cause its manufacturing operations to be suspended and changes in environmental regulations may impose the need for additional capital equipment or other requirements.

Landec's agricultural operations are subject to a variety of environmental laws including the Food Quality Protection Act of 1966, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Federal Insecticide, Fungicide and Rodenticide Act and the Comprehensive Environmental Response, Compensation and Liability Act. Compliance with these laws and related regulations is an ongoing process. Environmental concerns are, however, inherent in most agricultural operations, including those conducted by Landec, and there can be no assurance that the cost of compliance with environmental laws and regulations will not be material. Moreover, it is possible that future developments, such as increasingly strict environmental laws and enforcement policies and further restrictions on the use of manufacturing chemicals could result in increased compliance costs.

ADVERSE WEATHER CONDITIONS CAN CAUSE SUBSTANTIAL DECREASES IN OUR SALES AND/OR INCREASES IN OUR COSTS

Landec's Food Products and Agricultural Seed Technology businesses are subject to weather conditions that affect commodity prices, crop yields, and decisions by growers regarding crops to be planted. Crop diseases and severe conditions, particularly weather conditions such as floods, droughts, frosts, windstorms and hurricanes may adversely affect the supply of vegetables and fruits used in Landec's business, which could reduce the sales volumes and/or increase the unit production costs. During the first quarter of fiscal year 2001, optimal weather conditions after the November/December freezes resulted in an over supply of certain crops in which the Company had an invested interest. The over supply resulted in reduced prices for these crops which caused the Company to report a loss on its investment during the first six months of fiscal year 2001. Because a significant portion of the costs are fixed and contracted in advance of each operating year, volume declines due to production interruptions or other factors could result in increases in unit production costs which could result in substantial losses and weaken Landec's financial condition.

WE DEPEND ON STRATEGIC PARTNERS AND LICENSES FOR FUTURE DEVELOPMENT

For some of its current and future products, Landec's strategy for development, clinical and field testing, manufacture, commercialization and marketing includes entering into various collaborations with corporate partners, licensees and others. Landec is dependent on its corporate partners to develop, test, manufacture and/or market some of its products. Although Landec believes that its partners in these collaborations have an economic motivation to succeed in performing their contractual responsibilities, the amount and timing of resources to be devoted to these activities are not within the control of Landec. There can be no assurance that those partners will perform their obligations as expected or that Landec will derive any additional revenue from the arrangements. There can be no assurance that Landec's partners will pay any additional option or license fees to Landec or that they will develop, market or pay any royalty fees related to products under the agreements. Moreover, some of the collaborative agreements provide that they may be terminated at the discretion of the corporate partner, and some of the collaborative agreements provide for termination under other circumstances. In addition, there can be no assurance as to the amount of royalties, if any, on future sales of QuickCast and PORT products as Landec no longer has control over the sales of those products since the sale of QuickCast and the license of the PORT product lines. There can be no assurance that Landec's partners will not pursue existing or alternative technologies in preference to Landec's technology. Furthermore, there can be no assurance that Landec will be able to negotiate additional collaborative arrangements in the future on acceptable terms, if at all, or that the collaborative arrangements will be successful.

BOTH DOMESTIC AND FOREIGN GOVERNMENT REGULATIONS CAN HAVE AN ADVERSE EFFECT ON OUR BUSINESS OPERATIONS

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

OUR INTERNATIONAL OPERATIONS AND SALES MAY EXPOSE OUR BUSINESS TO ADDITIONAL RISKS

For the first six months of fiscal year 2001, approximately 13% of Landec's total revenues were derived from product sales to and collaborative agreements with international customers. Landec expects that with the acquisition of Apio and its export business, international revenues will become an important component of its total revenues. A number of risks are inherent in international transactions. International sales and operations may be limited or disrupted by the regulatory approval process, government controls, export license requirements, political instability, price controls, trade restrictions, changes in tariffs or difficulties in staffing and managing international operations. Foreign regulatory agencies have or may establish product standards different from those in the United States, and any inability to obtain foreign regulatory approvals on a timely basis could have a material adverse effect on Landec's international business and its financial condition and results of operations. While Landec's foreign sales are currently priced in dollars, fluctuations in currency exchange rates, such as those recently experienced in many Asian countries, may reduce the demand for Landec's products by increasing the price of Landec's products in the currency of the countries to which the products are sold. There can be no assurance that regulatory, geopolitical and other factors will not adversely impact Landec's operations in the future or require Landec to modify its current business practices.

CANCELLATIONS OR DELAYS OF ORDERS BY OUR CUSTOMERS MAY ADVERSELY AFFECT OUR BUSINESS

During the six months ended April 29, 2001, sales to Landec's top five customers accounted for approximately 44% of Landec's revenues, with the top customer accounting for 14% of Landec's revenues. Landec expects that for the foreseeable future a limited number of customers may continue to account for a substantial portion of its net revenues. Landec may experience changes in the composition of its customer base, as Apio, Dock Resins and Landec Ag have experienced in the past. Landec does not have long-term purchase agreements with any of its customers. The reduction, delay or cancellation of orders from one or more major customers for any reason or the loss of one or more of the major customers could materially and adversely affect Landec's business, operating results and financial condition. In addition, since some of the products manufactured in the Linden, New Jersey facility or processed by Apio at its Guadalupe, California facility are often sole sourced to its customers, Landec's operating results could be adversely affected if one or more of its major customers were to develop other sources of supply. There can be no assurance that Landec's current customers will continue to place orders, that orders by existing customers will not be canceled or will continue at the levels of previous periods or that Landec will be able to obtain orders from new customers.

OUR SALE OF SOME PRODUCTS MAY INCREASE OUR EXPOSURE TO PRODUCT LIABILITY CLAIMS

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

OUR STOCK PRICE MAY FLUCTUATE IN ACCORDANCE WITH MARKET CONDITIONS

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

technology companies and which have been unrelated to the operating performance of technology companies. These broad fluctuations may adversely affect the market price of Landec's common stock.

THE IMPLEMENTATION OF FINANCIAL AND ACCOUNTING CHANGES MAY CAUSE AN INCREASE IN COSTS AND DELAYS

In order to address deficiencies in Apio's management information systems and accounting systems, Apio has restructured its financial and accounting department, including hiring a chief financial officer and a new controller, and retained consultants who have worked with Apio to improve accounting processes and procedures. Apio management believes that those changes will improve its managing of operations, including delivering complete and accurate financial statements to Landec's corporate offices in a more timely manner. However, Landec can give no assurances that it will be able to effect those changes in the management information systems and accounting systems in a timely manner or sustain the process improvements over time.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no material change in the Company's reported market risks since the end of fiscal year 2000.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

At the Company's Annual Meeting of Shareholders held on March 29, 2001 the following proposals were adopted by the margins indicated:

	Number of Shares	
	Voted For	Withheld
1. Three Class I directors were elected by the margins indicated to serve until the next odd-numbered year Annual Meeting (2003) during which their successors will be elected and qualified:		
Frederick Frank	12,897,801	1,070,630
Stephen E. Halprin	12,898,301	1,070,130
Richard S. Schneider, PH.D.	12,898,301	1,070,130

The three Class II directors were not up for election at the Annual Meeting. These three Class II directors, Gary T. Steele, Kirby. L. Cramer and Richard Dulude, will serve as Class II directors until the next even-numbered Annual Meeting (2002), when their successors will be elected and qualified.

	Voted For	Voted Against	Abstain	Broker Non-Votes
2. To approve an amendment to the Company's 1996 Stock Option Plan to increase the number of shares of Common Stock reserved for issuance thereunder by 500,000 shares to an aggregate total of 2,000,000 shares.	12,030,079	1,909,808	28,544	0

	Voted For	Voted Against	Abstain	Broker Non-Votes
3. To ratify the appointment of Ernst & Young LLP as independent public accountants of the Company for the fiscal year ending October 28, 2001.	13,952,302	15,680	449	0

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

3.1+	Amended and Restated Bylaws of Registrant
10.17+	1996 Stock Option Plan, as amended
10.31+	Amendment No. 2 to the Loan Agreement between Apio, Inc. and the Bank of America dated as of February 28, 2001.
10.32+	Amendment No. 3 to the Loan Agreement between Apio, Inc. and the Bank of America dated as of April 26, 2001.

(b) Reports on Form 8-K

None

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+ Filed 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/ Gregory S. Skinner

Gregory S. Skinner

Vice President, Finance and Chief Financial Officer (Duly Authorized and Principal Financial and Accounting Officer)

Date: June 13, 2001

LANDEC CORPORATION

INDEX TO EXHIBITS

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EXHIBIT 3.1

AMENDED AND RESTATED BYLAWS

OF

LANDEC CORPORATION

AMENDED AND RESTATED BYLAWS

OF

LANDEC CORPORATION

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AMENDED AND RESTATED BYLAWS

OF

LANDEC CORPORATION

ARTICLE I

CORPORATE OFFICES

1.1 PRINCIPAL OFFICE

The board of directors shall fix the location of the principal executive office of the corporation at any place within or outside the State of California. If the principal executive office is located outside such state and the corporation has one or more business offices in such state, then the board of directors shall fix and designate a principal business office in the State of California.

1.2 OTHER OFFICES

The board of directors may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to do business.

ARTICLE II

MEETINGS OF SHAREHOLDERS

2.1 PLACE OF MEETINGS

Meetings of shareholders shall be held at any place within or outside the State of California designated by the board of directors. In the absence of any such designation, shareholders' meetings shall be held at the principal executive office of the corporation.

2.2 ANNUAL MEETING

The annual meeting of shareholders shall be held each year on a date and at a time designated by the board of directors. In the absence of such designation, the annual meeting of shareholders shall be held on the third Wednesday of March in each year at 10:00 a.m. However, if such day falls on a legal holiday, then the meeting shall be held at the same time and place on the next succeeding full business day. At the meeting, directors shall be elected, and any other proper business may be transacted.

2.3 SPECIAL MEETING

A special meeting of the shareholders may be called at any time by the board of directors, or by the chairman of the board, or by the president, or by one or more shareholders holding

shares in the aggregate entitled to cast not less than ten percent (10%) of the votes at that meeting.

If a special meeting is called by any person or persons other than the board of directors or the president or the chairman of the board, then the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the chairman of the board, the president, any vice president or the secretary of the corporation. The officer receiving the request shall cause notice to be promptly given to the shareholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5 of these bylaws, that a meeting will be held at the time requested by the person or persons calling the meeting, so long as that time is not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, then the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing or affecting the time when a meeting of shareholders called by action of the board of directors may be held.

2.4 NOTICE OF SHAREHOLDERS' MEETINGS

All notices of meetings of shareholders shall be sent or otherwise given in accordance with Section 2.5 of these bylaws not less than ten (10) (or, if sent by third-class mail pursuant to Section 2.5 of these bylaws, thirty (30)) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date, and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted (no business other than that specified in the notice may be transacted) or (ii) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the shareholders (but subject to the provisions of the next paragraph of this Section 2.4 any proper matter may be presented at the meeting for such action). The notice of any meeting at which directors are to be elected shall include the name of any nominee or nominees who, at the time of the notice, the board intends to present for election.

If action is proposed to be taken at any meeting for approval of (i) a contract or transaction in which a director has a direct or indirect financial interest, pursuant to Section 310 of the Corporations Code of California (the "Code"), (ii) an amendment of the articles of incorporation, pursuant to Section 902 of the Code, (iii) a reorganization of the corporation, pursuant to Section 1201 of the Code, (iv) a voluntary dissolution of the corporation, pursuant to Section 1900 of the Code, or (v) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of the Code, then the notice shall also state the general nature of that proposal.

2.5 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE

Written notice of any meeting of shareholders shall be given either (i) personally or (ii) by first-class mail or (iii) by third-class mail but only if the corporation has outstanding shares held of record by five hundred (500) or more persons (determined as provided in Section 605 of the Code) on the record date for the shareholders' meeting, or (iv) by telegraphic or other written communication. Notices not personally delivered shall be sent charges prepaid and shall be addressed to the shareholder at the address of that shareholder appearing on the books of the corporation or given by the shareholder to the corporation for the purpose of notice. If no such address appears on the corporation's books or is given, notice shall be deemed to have been given if sent to that shareholder by mail or telegraphic or other written communication to the corporation's principal executive office, or if published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

If any notice addressed to a shareholder at the address of that shareholder appearing on the books of the corporation is returned to the corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the shareholder at that address, then all future notices or reports shall be deemed to have been duly given without further mailing if the same shall be available to the shareholder on written demand of the shareholder at the principal executive office of the corporation for a period of one (1) year from the date of the giving of the notice.

An affidavit of the mailing or other means of giving any notice of any shareholders' meeting, executed by the secretary, assistant secretary or any transfer agent of the corporation giving the notice, shall be prima facie evidence of the giving of such notice.

2.6 QUORUM

The presence in person or by proxy of the holders of a majority of the shares entitled to vote thereat constitutes a quorum for the transaction of business at all meetings of shareholders. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

2.7 ADJOURNED MEETING; NOTICE

Any shareholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the shares represented at that meeting,

either in person or by proxy. In the absence of a quorum, no other business may be transacted at that meeting except as provided in Section 2.6 of these bylaws.

When any meeting of shareholders, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at the meeting at which the adjournment is taken. However, if a new record date for the adjourned meeting is fixed or if the adjournment is for more than forty-five (45) days from the date set for the original meeting, then notice of the adjourned meeting shall be given. Notice of any such adjourned meeting shall be given to each shareholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Sections 2.4 and 2.5 of these bylaws. At any adjourned meeting the corporation may transact any business which might have been transacted at the original meeting.

2.8 VOTING

The shareholders entitled to vote at any meeting of shareholders shall be determined in accordance with the provisions of Section 2.10 of these bylaws, subject to the provisions of Sections 702 through 704 of the Code (relating to voting shares held by a fiduciary, in the name of a corporation or in joint ownership).

The shareholders' vote may be by voice vote or by ballot; provided, however, that any election for directors must be by ballot if demanded by any shareholder at the meeting and before the voting has begun.

Except as may be otherwise provided in the articles of incorporation, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote of the shareholders. Any shareholder entitled to vote on any matter may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or, except when the matter is the election of directors, may vote them against the proposal; but, if the shareholder fails to specify the number of shares which the shareholder is voting affirmatively, it will be conclusively presumed that the shareholder's approving vote is with respect to all shares which the shareholder is entitled to vote.

If a quorum is present, the affirmative vote of the majority of the shares represented and voting at a duly held meeting (which shares voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the shareholders, unless the vote of a greater number or a vote by classes is required by the Code or by the articles of incorporation.

2.9 CUMULATIVE VOTING

Shareholders shall not be entitled to cumulate votes for the election of directors of this corporation.

This Article shall become effective only when the corporation becomes, and only for so long as the corporation remains, a listed corporation within the meaning of Section 301.5 of the California Corporations Code.

2.10 SHAREHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

No action shall be taken by the shareholders of the corporation other than at an annual or special meeting of the shareholders, upon due notice and in accordance with the other provisions of these Bylaws.

2.11 VALIDATION OF MEETINGS; WAIVER OF NOTICE; CONSENT

The transactions of any meeting of shareholders, either annual or special, however called and noticed, and wherever held, shall be as valid as though they had been taken at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, who was not present in person or by proxy, signs a written waiver of notice or a consent to the holding of the meeting or an approval of the minutes thereof. The waiver of notice or consent or approval need not specify either the business to be transacted or the purpose of any annual or special meeting of shareholders, except that if action is taken or proposed to be taken for approval of any of those matters specified in the second paragraph of Section 2.4 of these bylaws, the waiver of notice or consent or approval shall state the general nature of the proposal. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance by a person at a meeting shall also constitute a waiver of notice of and presence at that meeting, except when the person objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Attendance at a meeting is not a waiver of any right to object to the consideration of matters required by the Code to be included in the notice of the meeting but not so included, if that objection is expressly made at the meeting.

2.12 RECORD DATE FOR SHAREHOLDER NOTICE; VOTING

For purposes of determining the shareholders entitled to notice of any meeting or to vote thereat, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting, and in such event only shareholders of record on the date so fixed are entitled to notice and to vote, notwithstanding any transfer of any shares on the books of the corporation after the record date, except as otherwise provided in the Code.

If the board of directors does not so fix a record date the record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held; and

The record date for any other purpose shall be as provided in Article VIII of these bylaws.

2.13 PROXIES

Every person entitled to vote for directors, or on any other matter, shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the secretary of the corporation. A proxy shall be deemed signed if the shareholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the shareholder or the shareholder's attorney-in-fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) the person who executed the proxy revokes it prior to the time of voting by delivering a writing to the corporation stating that the proxy is revoked or by executing a subsequent proxy and presenting it to the meeting or by voting in person at the meeting, or (ii) written notice of the death or incapacity of the maker of that proxy is received by the corporation before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmark dates on the envelopes in which they are mailed. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Sections 705(e) and 705(f) of the Code.

2.14 INSPECTORS OF ELECTION

Before any meeting of shareholders, the board of directors may appoint an inspector or inspectors of election to act at the meeting or its adjournment. If no inspector of election is so appointed, then the chairman of the meeting may, and on the request of any shareholder or a shareholder's proxy shall, appoint an inspector or inspectors of election to act at the meeting. The number of inspectors shall be either one (1) or three (3). If inspectors are appointed at a meeting pursuant to the request of one (1) or more shareholders or proxies, then the holders of a majority of shares or their proxies present at the meeting shall determine whether one (1) or three (3) inspectors are to be appointed. If any person appointed as inspector fails to appear or fails or refuses to act, then the chairman of the meeting may, and upon the request of any shareholder or a shareholder's proxy shall, appoint a person to fill that vacancy.

Such inspectors shall:

(a) determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies;

(b) receive votes, ballots or consents;

(c) hear and determine all challenges and questions in any way arising in connection with the right to vote;

(d) count and tabulate all votes or consents;

(e) determine when the polls shall close;

(f) determine the result; and

(g) do any other acts that may be proper to conduct the election or vote with fairness to all shareholders.

ARTICLE III

DIRECTORS

3.1 POWERS

Subject to the provisions of the Code and any limitations in the articles of incorporation and these bylaws relating to actions required to be approved by the shareholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

3.2 NUMBER OF DIRECTORS

The number of directors of the corporation shall be not less than four (4) nor more than seven (7). The exact number of directors shall be seven (7) until changed, within the limits specified above, by a bylaw amending this Section 3.2, duly adopted by the board of directors or by the shareholders. The indefinite number of directors may be changed, or a definite number may be fixed without provision for an indefinite number, by a duly adopted amendment to the articles of incorporation or by an amendment to this bylaw duly adopted by the vote or written consent of holders of a majority of the outstanding shares entitled to vote; provided, however, that an amendment reducing the fixed number or the minimum number of directors to a number less than five (5) cannot be adopted if the votes cast against its adoption at a meeting, or the shares not consenting in the case of an action by written consent, are equal to more than sixteen and two-thirds percent (16-2/3%) of the outstanding shares entitled to vote thereon. No

amendment may change the stated maximum number of authorized directors to a number greater than two (2) times the stated minimum number of directors minus one (1).

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 ELECTION AND TERM OF OFFICE OF DIRECTORS

The board of directors shall be divided into two classes, as nearly equal in number as possible. The term of office of the first class shall expire at the 1997 annual meeting of shareholders or any special meeting in lieu thereof and the term of office of the second class shall expire at the 1998 annual meeting of shareholders or any special meeting in lieu thereof. At each annual meeting of shareholders or special meeting in lieu thereof following such initial classification, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the second succeeding annual meeting of shareholders or special meeting in lieu thereof after their election and until their successors are duly elected and qualified. The foregoing provisions shall become effective only when the corporation becomes a listed corporation within the meaning of Section 301.5 of the California Corporations Code. Directors need not be shareholders unless so required by the articles of incorporation or these bylaws, wherein other qualifications for directors may be prescribed.

3.4 RESIGNATION AND VACANCIES

Any director may resign effective on giving written notice to the chairman of the board, the president, the secretary or the board of directors, unless the notice specifies a later time for that resignation to become effective. If the resignation of a director is effective at a future time, the board of directors may elect a successor to take office when the resignation becomes effective.

Vacancies in the board of directors may be filled by a majority of the remaining directors, even if less than a quorum, or by a sole remaining director; however, a vacancy created by the removal of a director by the vote of the shareholders or by court order may be filled only by the affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute a majority of the required quorum). Each director so elected shall hold office for a term expiring at the annual meeting of shareholders at which the term of office of the class to which they have been elected expires, if applicable, and if no such classes shall have been established, at the next annual meeting of the shareholders and until a successor has been elected and qualified.

A vacancy or vacancies in the board of directors shall be deemed to exist (i) in the event of the death, resignation or removal of any director, (ii) if the board of directors by resolution declares vacant the office of a director who has been declared of unsound mind by an order of

court or convicted of a felony, (iii) if the authorized number of directors is increased, or (iv) if the shareholders fail, at any meeting of shareholders at which any director or directors are elected, to elect the number of directors to be elected at that meeting.

The shareholders may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors, but any such election other than to fill a vacancy created by

removal shall require the consent of the holders of a majority of the outstanding shares entitled to vote thereon.

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

Regular meetings of the board of directors may be held at any place within or outside the State of California that has been designated from time to time by resolution of the board. In the absence of such a designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the board may be held at any place within or outside the State of California that has been designated in the notice of the meeting or, if not stated in the notice or if there is no notice, at the principal executive office of the corporation.

Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another; and all such directors shall be deemed to be present in person at the meeting.

3.6 REGULAR MEETINGS

Regular meetings of the board of directors may be held without notice if the times of such meetings are fixed by the board of directors.

3.7 SPECIAL MEETINGS; NOTICE

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board, the president, any vice president, the secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. If the notice is delivered personally or by telephone or telegram, it shall be delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the corporation.

3.8 QUORUM

A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 3.10 of these bylaws. Every act

or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the board of directors, subject to the provisions of Section 310 of the Code (as to approval of contracts or transactions in which a director has a direct or indirect material financial interest), Section 311 of the Code (as to appointment of committees), Section 317(e) of the Code (as to indemnification of directors), the articles of incorporation, and other applicable law.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.9 WAIVER OF NOTICE

Notice of a meeting need not be given to any director (i) who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or (ii) who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents, and approvals shall be filed with the corporate records or made part of the minutes of the meeting. A waiver of notice need not specify the purpose of any regular or special meeting of the board of directors.

3.10 ADJOURNMENT

A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

3.11 NOTICE OF ADJOURNMENT

Notice of the time and place of holding an adjourned meeting need not be given unless the meeting is adjourned for more than twenty-four (24) hours. If the meeting is adjourned for more than twenty-four (24) hours, then notice of the time and place of the adjourned meeting shall be given before the adjourned meeting takes place, in the manner specified in Section 3.7 of these bylaws, to the directors who were not present at the time of the adjournment.

3.12 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Any action required or permitted to be taken by the board of directors may be taken without a meeting, provided that all members of the board individually or collectively consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the board of directors. Such written consent and any counterparts thereof shall be filed with the minutes of the proceedings of the board.

3.13 FEES AND COMPENSATION OF DIRECTORS

Directors and members of committees may receive such compensation, if any, for their services and such reimbursement of expenses as may be fixed or determined by resolution of the board of directors. This Section 3.13 shall not be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee or otherwise and receiving compensation for those services.

3.14 APPROVAL OF LOANS TO OFFICERS**

The corporation may, upon the approval of the board of directors alone, make loans of money or property to, or guarantee the obligations of, any officer of the corporation or its parent or subsidiary, whether or not a director, or adopt an employee benefit plan or plans authorizing such loans or guaranties provided that (i) the board of directors determines that such a loan or guaranty or plan may reasonably be expected to benefit the corporation, (ii) the corporation has outstanding shares held of record by 100 or more persons (determined as provided in Section 605 of the Code) on the date of approval by the board of directors, and (iii) the approval of the board of directors is by a vote sufficient without counting the vote of any interested director or directors.

ARTICLE IV

COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The board of directors may, by resolution adopted by a majority of the authorized number of directors, designate one (1) or more committees, each consisting of two or more directors, to serve at the pleasure of the board. The board may designate one (1) or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the authorized number of directors. Any committee, to the extent provided in the resolution of the board, shall have all the authority of the board, except with respect to:

(a) the approval of any action which, under the Code, also requires shareholders' approval or approval of the outstanding shares;

(b) the filling of vacancies on the board of directors or in any committee;

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* This section is effective only if it has been approved by the shareholders in accordance with Sections 315(b) and 152 of the Code.

(c) the fixing of compensation of the directors for serving on the board or any committee;

(d) the amendment or repeal of these bylaws or the adoption of new bylaws;

(e) the amendment or repeal of any resolution of the board of directors which by its express terms is not so amendable or repealable;

(f) a distribution to the shareholders of the corporation, except at a rate or in a periodic amount or within a price range determined by the board of directors; or

(g) the appointment of any other committees of the board of directors or the members of such committees.

4.2 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, Section 3.5 (place of meetings), Section 3.6 (regular meetings), Section 3.7 (special meetings and notice), Section 3.8 (quorum), Section 3.9 (waiver of notice), Section 3.10 (adjournment), Section 3.11 (notice of adjournment), and Section 3.12 (action without meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the board of directors, and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V

OFFICERS

5.1 OFFICERS

The officers of the corporation shall be a president, a secretary, and a chief financial officer. The corporation may also have, at the discretion of the board of directors, a chairman of the board, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws. Any number of offices may be held by the same person.

5.2 ELECTION OF OFFICERS

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 or Section 5.5 of these bylaws, shall be chosen by the board, subject to the rights, if any, of an officer under any contract of employment. Any contract of employment with an officer shall be unenforceable unless in writing and specifically authorized by the board of directors.

5.3 SUBORDINATE OFFICERS

The board of directors may appoint, or may empower the president to appoint, such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the board of directors at any regular or special meeting of the board or, except in case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these bylaws for regular appointments to that office.

5.6 CHAIRMAN OF THE BOARD

The chairman of the board, if such an officer be elected, shall, if present, preside at meetings of the board of directors and exercise and perform such other powers and duties as may from time to time be assigned to him by the board of directors or as may be prescribed by these bylaws. If there is no president, then the chairman of the board shall also be the chief executive officer of the corporation and shall have the powers and duties prescribed in Section 5.7 of these bylaws.

5.7 PRESIDENT

Subject to such supervisory powers, if any, as may be given by the board of directors to the chairman of the board, if there be such an officer, the president shall be the chief executive officer of the corporation and shall, subject to the control of the board of directors, have general supervision, direction, and control of the business and the officers of the corporation. He shall preside at all meetings of the shareholders and, in the absence or nonexistence of a chairman of the board, at all meetings of the board of directors. He shall have the general powers and duties of management usually vested in the office of president of a corporation, and shall have such other powers and duties as may be prescribed by the board of directors or these bylaws.

5.8 VICE PRESIDENTS

In the absence or disability of the president, the vice presidents, if any, in order of their rank as fixed by the board of directors or, if not ranked, a vice president designated by the board of directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors, these bylaws, the president or the chairman of the board.

5.9 SECRETARY

The secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the board of directors may direct, a book of minutes of all meetings and actions of directors, committees of directors and shareholders. The minutes shall show the time and place of each meeting, whether regular or special (and, if special, how authorized and the notice given), the names of those present at directors' meetings or committee meetings, the number of shares present or represented at shareholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the board of directors required to be given by law or by these bylaws. He shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by these bylaws.

5.10 CHIEF FINANCIAL OFFICER

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The chief financial officer shall deposit all money and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of directors, shall render to the president and directors, whenever they request it, an account of all of his transactions as chief financial officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or these bylaws.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

6.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS

The corporation shall, to the maximum extent and in the manner permitted by the Code, indemnify each of its directors and officers against expenses (as defined in Section 317(a) of the Code), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding (as defined in Section 317(a) of the Code), arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Article VI, a "director" or "officer" of the corporation includes any person (i) who is or was a director or officer of the corporation, (ii) who is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was a director or officer of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.2 INDEMNIFICATION OF OTHERS

The corporation shall have the power, to the extent and in the manner permitted by the Code, to indemnify each of its employees and agents (other than directors and officers) against expenses (as defined in Section 317(a) of the Code), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding (as defined in Section 317(a) of the Code), arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Article VI, an "employee" or "agent" of the corporation

(other than a director or officer) includes any person (i) who is or was an employee or agent of the corporation, (ii) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.3 PAYMENT OF EXPENSES IN ADVANCE

Expenses incurred in defending any civil or criminal action or proceeding for which indemnification is required pursuant to Section 6.1 or for which indemnification is permitted pursuant to Section 6.2 following authorization thereof by the Board of Directors shall be paid by the corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amount if it shall ultimately be determined that the indemnified party is not entitled to be indemnified as authorized in this Article VI.

6.4 INDEMNITY NOT EXCLUSIVE

The indemnification provided by this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office, to the extent that such additional rights to indemnification are authorized in the articles of incorporation.

6.5 INSURANCE INDEMNIFICATION

The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation against any liability asserted against or incurred by such person in such capacity or arising out of such person's status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article VI.

6.6 CONFLICTS

No indemnification or advance shall be made under this Article VI, except where such indemnification or advance is mandated by law or the order, judgment or decree of any court of competent jurisdiction, in any circumstance where it appears:

(1) That it would be inconsistent with a provision of the articles of incorporation, these bylaws, a resolution of the shareholders or an agreement in effect at the time of the accrual of the alleged cause of the action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(2) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

ARTICLE VII

RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF SHARE REGISTER

The corporation shall keep either at its principal executive office or at the office of its transfer agent or registrar (if either be appointed), as determined by resolution of the board of directors, a record of its shareholders listing the names and addresses of all shareholders and the number and class of shares held by each shareholder.

A shareholder or shareholders of the corporation who holds at least five percent (5%) in the aggregate of the outstanding voting shares of the corporation or who holds at least one percent (1%) of such voting shares and has filed a Schedule 14B with the Securities and Exchange Commission relating to the election of directors, may (i) inspect and copy the records of shareholders' names, addresses, and shareholdings during usual business hours on five (5) days' prior written demand on the corporation, (ii) obtain from the transfer agent of the corporation, on written demand and on the tender of such transfer agent's usual charges for such list, a list of the names and addresses of the shareholders who are entitled to vote for the election of directors, and their shareholdings, as of the most recent record date for which that list has been compiled or as of a date specified by the shareholder after the date of demand. Such list shall be made available to any such shareholder by the transfer agent on or before the later of five (5) days after the demand is received or five (5) days after the date specified in the demand as the date as of which the list is to be compiled.

The record of shareholders shall also be open to inspection on the written demand of any shareholder or holder of a voting trust certificate, at any time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or as the holder of a voting trust certificate.

Any inspection and copying under this Section 7.1 may be made in person or by an agent or attorney of the shareholder or holder of a voting trust certificate making the demand.

7.2 MAINTENANCE AND INSPECTION OF BYLAWS

The corporation shall keep at its principal executive office or, if its principal executive office is not in the State of California, at its principal business office in California the original or a copy of these bylaws as amended to date, which bylaws shall be open to inspection by the shareholders at all reasonable times during office hours. If the principal executive office of the

corporation is outside the State of California and the corporation has no principal business office in such state, then the secretary shall, upon the written request of any shareholder, furnish to that shareholder a copy of these bylaws as amended to date.

7.3 MAINTENANCE AND INSPECTION OF OTHER CORPORATE RECORDS

The accounting books and records and the minutes of proceedings of the shareholders, of the board of directors, and of any committee or committees of the board of directors shall be kept at such place or places as are designated by the board of directors or, in absence of such designation, at the principal executive office of the corporation. The minutes shall be kept in written form, and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form.

The minutes and accounting books and records shall be open to inspection upon the written demand of any shareholder or holder of a voting trust certificate, at any reasonable time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or as the holder of a voting trust certificate. The inspection may be made in person or by an agent or attorney and shall include the right to copy and make extracts. Such rights of inspection shall extend to the records of each subsidiary corporation of the corporation.

7.4 INSPECTION BY DIRECTORS

Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind as well as the physical properties of the corporation and each of its subsidiary corporations. Such inspection by a director may be made in person or by an agent or attorney. The right of inspection includes the right to copy and make extracts of documents.

7.5 ANNUAL REPORT TO SHAREHOLDERS; WAIVER

The board of directors shall cause an annual report to be sent to the shareholders not later than one hundred twenty (120) days after the close of the fiscal year adopted by the corporation. Such report shall be sent at least fifteen (15) days (or, if sent by third-class mail, thirty-five (35) days) before the annual meeting of shareholders to be held during the next fiscal year and in the manner specified in Section 2.5 of these bylaws for giving notice to shareholders of the corporation.

The annual report shall contain (i) a balance sheet as of the end of the fiscal year, (ii) an income statement, (iii) a statement of changes in financial position for the fiscal year, and (iv) any report of independent accountants or, if there is no such report, the certificate of an authorized officer of the corporation that the statements were prepared without audit from the books and records of the corporation.

The foregoing requirement of an annual report shall be waived so long as the shares of the corporation are held by fewer than one hundred (100) holders of record.

7.6 FINANCIAL STATEMENTS

If no annual report for the fiscal year has been sent to shareholders, then the corporation shall, upon the written request of any shareholder made more than one hundred twenty (120) days after the close of such fiscal year, deliver or mail to the person making the request, within thirty (30) days thereafter, a copy of a balance sheet as of the end of such fiscal year and an income statement and statement of changes in financial position for such fiscal year.

If a shareholder or shareholders holding at least five percent (5%) of the outstanding shares of any class of stock of the corporation makes a written request to the corporation for an income statement of the corporation for the three-month, six-month or nine-month period of the then current fiscal year ended more than thirty (30) days before the date of the request, and for a balance sheet of the corporation as of the end of that period, then the chief financial officer shall cause that statement to be prepared, if not already prepared, and shall deliver personally or mail that statement or statements to the person making the request within thirty (30) days after the receipt of the request. If the corporation has not sent to the shareholders its annual report for the last fiscal year, the statements referred to in the first paragraph of this Section 7.6 shall likewise be delivered or mailed to the shareholder or shareholders within thirty (30) days after the request.

The quarterly income statements and balance sheets referred to in this section shall be accompanied by the report, if any, of any independent accountants engaged by the corporation or by the certificate of an authorized officer of the corporation that the financial statements were prepared without audit from the books and records of the corporation.

7.7 REPRESENTATION OF SHARES OF OTHER CORPORATIONS

The chairman of the board, the president, any vice president, the chief financial officer, the secretary or assistant secretary of this corporation, or any other person authorized by the board of directors or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority herein granted may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

ARTICLE VIII

GENERAL MATTERS

8.1 RECORD DATE FOR PURPOSES OTHER THAN NOTICE AND VOTING

For purposes of determining the shareholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the shareholders entitled to exercise any rights in respect of any other lawful action (other than action by shareholders by written consent without a meeting), the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days before any such action. In that case, only shareholders of record at the close of business on the date so fixed are entitled to receive the dividend, distribution or allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date so fixed, except as otherwise provided in the Code.

If the board of directors does not so fix a record date, then the record date for determining shareholders for any such purpose shall be at the close of business on the day on which the board adopts the applicable resolution or the sixtieth (60th) day before the date of that action, whichever is later.

8.2 CHECKS; DRAFTS; EVIDENCES OF INDEBTEDNESS

From time to time, the board of directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so authorized shall sign or endorse those instruments.

8.3 CORPORATE CONTRACTS AND INSTRUMENTS; HOW EXECUTED

The board of directors, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.4 CERTIFICATES FOR SHARES

A certificate or certificates for shares of the corporation shall be issued to each shareholder when any of such shares are fully paid. The board of directors may authorize the issuance of certificates for shares partly paid provided that these certificates shall state the total

amount of the consideration to be paid for them and the amount actually paid. All certificates shall be signed in the name of the corporation by the chairman of the board or the vice chairman of the board or the president or a vice president and by the chief financial officer or an assistant treasurer or the secretary or an assistant secretary, certifying the number of shares and the class or series of shares owned by the shareholder. Any or all of the signatures on the certificate may be facsimile.

In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on a certificate ceases to be that officer, transfer agent or registrar before that certificate is issued, it may be issued by the corporation with the same effect as if that person were an officer, transfer agent or registrar at the date of issue.

8.5 LOST CERTIFICATES

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and canceled at the same time. The board of directors may, in case any share certificate or certificate for any other security is lost, stolen or destroyed, authorize the issuance of replacement certificates on such terms and conditions as the board may require; the board may require indemnification of the corporation secured by a bond or other adequate security sufficient to protect the corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft or destruction of the certificate or the issuance of the replacement certificate.

8.6 CONSTRUCTION; DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Code shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

ARTICLE IX

AMENDMENTS

9.1 AMENDMENT BY SHAREHOLDERS

New bylaws may be adopted or these bylaws may be amended or repealed by the vote of holders of a majority of the outstanding shares entitled to vote; provided, however, that if the articles of incorporation of the corporation set forth the number of authorized directors of the corporation, then the authorized number of directors may be changed only by an amendment of the articles of incorporation.

9.2 AMENDMENT BY DIRECTORS

Subject to the rights of the shareholders as provided in Section 9.1 of these bylaws, bylaws, other than a bylaw or an amendment of a bylaw changing the authorized number of directors (except to fix the authorized number of directors pursuant to a bylaw providing for a variable number of directors), may be adopted, amended or repealed by the board of directors.

EXHIBIT 10.17

LANDEC CORPORATION

AMENDED AND RESTATED

1996 STOCK OPTION PLAN

1. PURPOSES OF THE PLAN. The purposes of this Stock Option Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to the Employees and Consultants of the Company and to promote the success of the Company's business.

Options granted hereunder may be either Incentive Stock Options (as defined under Section 422 of the Code) or Nonstatutory Stock Options, at the discretion of the Board and as reflected in the terms of the written option agreement.

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

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

(b) "AFFILIATE" shall mean an entity other than a Subsidiary (as defined below) in which the Company owns an equity interest.

(c) "APPLICABLE LAWS" shall have the meaning set forth in Section 4(a) below.

(d) "BOARD" shall mean the Board of Directors of the Company.

(e) "CODE" shall mean the Internal Revenue Code of 1986, as amended.

(f) "COMMITTEE" shall mean the Committee appointed by the Board of Directors in accordance with Section 4(a) of the Plan, if one is appointed.

(g) "COMMON STOCK" shall mean the Common Stock of the Company.

(h) "COMPANY" shall mean Landec Corporation, a California corporation.

(i) "CONSULTANT" means any person, including an advisor, who is engaged by the Company or any Parent or Subsidiary to render services and is compensated for such services; PROVIDED that the term Consultant shall not include directors who are not compensated for their services or are paid only a director's fee by the Company.

(j) "CONTINUOUS STATUS AS AN EMPLOYEE OR CONSULTANT" shall mean the absence of any interruption or termination of service as an Employee or Consultant. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of sick leave, military leave, or any other leave of absence approved by the Administrator; PROVIDED that such leave is for a period of not more than 90 days or reemployment upon the expiration of such leave is guaranteed by contract or statute. For purposes of this Plan, a change in status from an Employee to a Consultant or from a Consultant to an Employee will not constitute a termination of employment.

(k) "DIRECTOR" shall mean a member of the Board.

(l) "EMPLOYEE" shall mean any person (including any Named Executive, Officer or Director) employed by the Company or any Parent, Subsidiary or Affiliate of the Company. The payment by the Company of a director's fee to a Director shall not be sufficient to constitute "employment" of such Director by the Company.

(m) "EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended.

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

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

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

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

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

(p) "NAMED EXECUTIVE" shall mean any individual who, on the last day of the Company's fiscal year, is the chief executive officer of the Company (or is acting in such capacity) or among the four highest compensated officers of the Company (other

than the chief executive officer). Such officer status shall be determined pursuant to the executive compensation disclosure rules under the Exchange Act.

(q) "NONSTATUTORY STOCK OPTION" shall mean an Option not intended to qualify as an Incentive Stock Option, as designated in the applicable written option agreement.

(r) "OFFICER" shall mean a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(s) "OPTION" shall mean a stock option granted pursuant to the Plan.

(t) "OPTIONED STOCK" shall mean the Common Stock subject to an Option.

(u) "OPTIONEE" shall mean an Employee or Consultant who receives an Option.

(v) "PARENT" shall mean a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(w) "PLAN" shall mean this 1996 Stock Option Plan.

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

(y) "SHARE" shall mean a share of the Common Stock, as adjusted in accordance with Section 14 of the Plan.

(z) "SUBSIDIARY" shall mean a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. STOCK SUBJECT TO THE PLAN. Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of shares that may be optioned and sold under the Plan is 2,000,000 shares of Common Stock. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option should expire or become unexercisable for any reason without having been exercised in full, the unpurchased Shares that were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan. Notwithstanding any other provision of the Plan, shares issued under the Plan and later repurchased by the Company shall not become available for future grant under the Plan.

4. ADMINISTRATION OF THE PLAN.

(a) COMPOSITION OF ADMINISTRATOR.

(i) MULTIPLE ADMINISTRATIVE BODIES. If permitted by Rule 16b-3, and by the legal requirements relating to the administration of incentive stock option plans, if any, of applicable securities laws and the Code (collectively, the "APPLICABLE LAWS"), grants under the Plan may (but need not) be made by different administrative bodies with respect to Directors, Officers who are not directors and Employees who are neither Directors nor Officers.

(ii) ADMINISTRATION WITH RESPECT TO DIRECTORS AND OFFICERS. With respect to grants of Options to Employees or Consultants who are also Officers or Directors of the Company, grants under the Plan shall be made by (A) the Board, if the Board may make grants under the Plan in compliance with Rule 16b-3 and Section 162(m) of the Code as it applies so as to qualify grants of Options to Named Executives as performance-based compensation, or (B) a Committee designated by the Board to make grants under the Plan, which Committee shall be constituted in such a manner as to permit grants under the Plan to comply with Rule 16b-3, to qualify grants of Options to Named Executives as performance-based compensation under Section 162(m) of the Code and otherwise so as to satisfy the Applicable Laws.

(iii) ADMINISTRATION WITH RESPECT TO OTHER PERSONS. With respect to grants of Options to Employees or Consultants who are neither Directors nor Officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws.

(iv) GENERAL. If a Committee has been appointed pursuant to subsection (ii) or (iii) of this Section 4(a), such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of any Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies (however caused) and remove all members of a Committee and thereafter directly administer the Plan, all to the extent permitted by the Applicable Laws and, in the case of a Committee appointed under subsection (ii), to the extent permitted by Rule 16b-3 and to the extent required under Section 162(m) of the Code to qualify grants of Options to Named Executives as performance-based compensation.

(b) POWERS OF THE ADMINISTRATOR. Subject to the provisions of the Plan and in the case of a Committee, the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

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

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

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

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

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

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder (including, but not limited to, the share price and any restriction or limitation, or any vesting acceleration or waiver of forfeiture restrictions regarding any Option and/or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator shall determine, in its sole discretion);

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

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

5. ELIGIBILITY.

(a) RECIPIENTS OF GRANTS. Nonstatutory Stock Options may be granted to Employees and Consultants. Incentive Stock Options may be granted only to Employees, PROVIDED, HOWEVER, that Employees of an Affiliate shall not be eligible to receive Incentive Stock Options. An Employee or Consultant who has been granted an Option may, if he or she is otherwise eligible, be granted an additional Option or Options.

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

(c) NO EMPLOYMENT RIGHTS. The Plan shall not confer upon any Optionee any right with respect to continuation of employment or consulting relationship

with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

6. TERM OF PLAN. The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company as described in Section 20 of the Plan. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 16 of the Plan.

7. TERM OF OPTION. The term of each Option shall be the term stated in the Option Agreement; PROVIDED, HOWEVER, that in the case of an Incentive Stock Option, the term shall be no more than ten (10) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement. However, in the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

8. LIMITATION ON GRANTS TO EMPLOYEES. Subject to adjustment as provided in this Plan, the maximum number of Shares which may be subject to options granted to any one Employee under this Plan for any fiscal year of the Company shall be 500,000.

9. OPTION EXERCISE PRICE AND CONSIDERATION.

(a) EXERCISE PRICE. The per Share exercise price for the Shares to be issued pursuant to exercise of an Option shall be such price as is determined by the Administrator, but shall be subject to the following:

(i) In the case of an Incentive Stock Option

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

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

(ii) In the case of a Nonstatutory Stock Option

(A) granted to a person who, at the time of the grant of such Option, is a Named Executive of the Company, the per share Exercise Price shall be no less than 100% of the Fair Market Value on the date of grant; or

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

(iii) Notwithstanding anything to the contrary in subsections 9(a)(i) or 9(a)(ii) above, in the case of an Option granted on or after the effective date of registration of any class of equity security of the Company pursuant to Section 12 of the Exchange Act and prior to six months after the termination of such registration, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(b) PERMISSIBLE CONSIDERATION. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant) and may consist entirely of (1) cash, (2) check, (3) authorization from the Company to retain from the total number of Shares as to which the Option is exercised that number of Shares having a Fair Market Value on the date of exercise equal to the exercise price for the total number of Shares as to which the Option is exercised, (4) delivery of a properly executed exercise notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the exercise price, (5) any combination of the foregoing methods of payment, or (6) such other consideration and method of payment for the issuance of Shares to the extent permitted under Applicable Laws. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

10. EXERCISE OF OPTION.

(a) PROCEDURE FOR EXERCISE; RIGHTS AS A SHAREHOLDER. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, including performance criteria with respect to the Company and/or the Optionee, and as shall be permissible under the terms of the Plan.

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

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 9(b) of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly upon exercise of the Option. No adjustment

will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 14 of the Plan.

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

(b) TERMINATION OF STATUS AS AN EMPLOYEE OR CONSULTANT. In the event of termination of an Optionee's Continuous Status as an Employee or Consultant, such Optionee may, but only within thirty (30) days (or such other period of time, not exceeding three (3) months in the case of an Incentive Stock Option or six (6) months in the case of a Nonstatutory Stock Option, as is determined by the Administrator, with such determination in the case of an Incentive Stock Option being made at the time of grant of the Option) after the date of such termination (but in no event later than the date of expiration of the term of such Option as set forth in the Option Agreement), exercise his or her Option to the extent that he or she was entitled to exercise it at the date of such termination. To the extent that the Optionee was not entitled to exercise the Option at the date of such termination, or if the optionee does not exercise such Option (which he or she was entitled to exercise) within the time specified herein, the Option shall terminate.

(c) DISABILITY OF OPTIONEE. Notwithstanding Section 10(b) above, in the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of his or her total and permanent disability (as defined in Section 22(e)(3) of the Code), he or she may, but only within six (6) months (or such other period of time not exceeding twelve (12) months as is determined by the Administrator, with such determination in the case of an Incentive Stock Option being made at the time of grant of the Option) from the date of such termination (but in no event later than the date of expiration of the term of such Option as set forth in the Option Agreement), exercise his or her Option to the extent he or she was entitled to exercise it at the date of such termination. To the extent that he or she was not entitled to exercise the Option at the date of termination, or if he does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate.

(d) DEATH OF OPTIONEE. In the event of the death of an Optionee:

(i) during the term of the Option who is at the time of his death an Employee or Consultant of the Company and who shall have been in Continuous Status as an Employee or Consultant since the date of grant of the Option, the Option may be exercised, at any time within six (6) months (or such other period of time, not exceeding six (6) months, as is determined by the Administrator, with such determination in the case of an Incentive Stock Option being made at the time of grant of the Option) following the date of death (but in no event later than the date of expiration of the term of such Option as set forth in the Option Agreement), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance but only to the extent of the right to exercise that would have accrued had the Optionee continued living and remained in Continuous Status as an Employee or Consultant three (3) months

(or such other period of time as is determined by the Administrator as provided above) after the date of death, subject to the limitation set forth in Section 5(b); or

(ii) within thirty (30) days (or such other period of time not exceeding three (3) months as is determined by the Administrator, with such determination in the case of an Incentive Stock Option being made at the time of grant of the Option) after the termination of Continuous Status as an Employee or Consultant, the Option may be exercised, at any time within six (6) months following the date of death (but in no event later than the date of expiration of the term of such Option as set forth in the Option Agreement), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of termination.

(e) RULE 16b-3. Options granted to persons subject to Section 16(b) of the Exchange Act must comply with Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

11. WITHHOLDING TAXES. As a condition to the exercise of Options granted hereunder, the Optionee shall make such arrangements as the Administrator may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with the exercise, receipt or vesting of such Option. The Company shall not be required to issue any Shares under the Plan until such obligations are satisfied.

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

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

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

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

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

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

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

13. NON-TRANSFERABILITY OF OPTIONS. The Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution; PROVIDED that the Administrator may in its discretion grant transferable Nonstatutory Stock Options pursuant to option agreements specifying (i) the manner in which such Nonstatutory Stock Options are transferable and (ii) that any such transfer shall be subject to the Applicable Laws. The designation of a beneficiary by an Optionee will not constitute a transfer. An Option may be exercised, during the lifetime of the Optionee, only by the Optionee or a transferee permitted by this Section 13.

14. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION; CORPORATE TRANSACTIONS.

(a) ADJUSTMENT. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each outstanding Option, the number of shares of Common Stock that have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, the maximum number of shares of Common Stock for which Options may be granted to any employee under Section 8 of the Plan, and the price per share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Administrator, whose determination in that respect shall be final, binding and conclusive. Except as expressly

provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option.

(b) CORPORATE TRANSACTIONS. In the event of the proposed dissolution or liquidation of the Company, the Option will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Administrator. The Administrator may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Administrator and give each Optionee the right to exercise his or her Option as to all or any part of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Option shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Administrator determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the Optionee shall have the right to exercise the Option as to some or all of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable. If the Administrator makes an Option exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Administrator shall notify the Optionee that the Option shall be exercisable for a period of fifteen (15) days from the date of such notice, and the Option will terminate upon the expiration of such period.

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

16. AMENDMENT AND TERMINATION OF THE PLAN.

(a) AMENDMENT AND TERMINATION. The Board may amend or terminate the Plan from time to time in such respects as the Board may deem advisable; provided that, the following revisions or amendments shall require approval of the shareholders of the Company in the manner described in Section 20 of the Plan:

(i) any increase in the number of Shares subject to the Plan, other than an adjustment under Section 14 of the Plan;

(ii) any change in the designation of the class of persons eligible to be granted Options; or

(iii) any change in the limitation on grants to employees as described in Section 8 of the Plan or other changes which would require shareholder approval to qualify options granted hereunder as performance-based compensation under Section 162(m) of the Code.

(b) SHAREHOLDER APPROVAL. If any amendment requiring shareholder approval under Section 16(a) of the Plan is made subsequent to the first registration of any class of equity securities by the Company under Section 12 of the Exchange Act, such shareholder approval shall be solicited as described in Section 20 of the Plan.

(c) EFFECT OF AMENDMENT OR TERMINATION. Any such amendment or termination of the Plan shall not affect Options already granted and such Options shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Optionee and the Board, which agreement must be in writing and signed by the Optionee and the Company.

17. CONDITIONS UPON ISSUANCE OF SHARES. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

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

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

19. OPTION AGREEMENT. Options shall be evidenced by written option agreements in such form as the Board shall approve.

20. SHAREHOLDER APPROVAL.

(a) Continuance of the Plan shall be subject to approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the manner and to the degree

required under applicable federal and state law and the rules of any stock exchange upon which the Shares are listed.

(b) In the event that the Company registers any class of equity securities pursuant to Section 12 of the Exchange Act, any required approval of the shareholders of the Company obtained after such registration shall be solicited substantially in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder.

(c) If any required approval by the shareholders of the Plan itself or of any amendment thereto is solicited at any time otherwise than in the manner described in Section 20(b) hereof, then the Company shall, at or prior to the first annual meeting of shareholders held subsequent to the later of (1) the first registration of any class of equity securities of the Company under Section 12 of the Exchange Act or (2) the granting of an Option hereunder to an officer or director after such registration, do the following:

(i) furnish in writing to the holders entitled to vote for the Plan substantially the same information that would be required (if proxies to be voted with respect to approval or disapproval of the Plan or amendment were then being solicited) by the rules and regulations in effect under Section 14(a) of the Exchange Act at the time such information is furnished; and

(ii) file with, or mail for filing to, the Securities and Exchange Commission four copies of the written information referred to in subsection (i) hereof not later than the date on which such information is first sent or given to shareholders.

EXHIBIT 10.31

AMENDMENT NO. 2 TO LOAN AGREEMENT

This Amendment No. 2 to Loan Agreement (this "Amendment"), dated as of February 28, 2001, is entered into with reference to the Loan Agreement (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement") dated as of November 29, 1999 currently among Apio, Inc., a Delaware corporation ("Borrower"), each lender from time to time a party thereto (each a "Lender" and collectively, the "Lenders"), Bank of America, N. A., as Issuing Lender, and Bank of America, N. A., as Administrative Agent (in such capacity, the "Administrative Agent"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Loan Agreement. Section references herein relate to the Loan Agreement unless otherwise stated.

The parties hereto hereby agree as follows:

1. SECTION 1.1 - DEFINITION OF "BASE MARGIN"; "BASE RATE MARGIN". For purposes of clarification, all references to the "BASE MARGIN" contained in the Loan Agreement and the other Loan Documents are hereby amended in full to read "BASE RATE MARGIN". The definition of "BASE MARGIN" is hereby amended in full to read as follows:

> "BASE RATE MARGIN" means, for each Pricing Period, (a) with respect to the outstanding principal amount of Revolving Loans in excess of the Unaugmented Borrowing Base Amount, 1.50%, and (b) with respect to (i) the outstanding principal amount of Term Loans and (ii) the outstanding principal amount of Revolving Loans less than or equal to the Unaugmented Base Rate Amount, the interest rate margin set forth below opposite the Pricing Level for that Pricing Period:

PRICING LEVEL	EURODOLLAR MARGIN
I	0.00%
II	0.25%
III	0.50%

2. SECTION 1.1 - DEFINITION OF BORROWING BASE. The definition of "BORROWING BASE" contained in SECTION 1.1 is hereby amended in full to read as follows:

> "BORROWING BASE" means, as of each date of determination, an amount determined by the Administrative Agent with reference to the most recent Borrowing Base Certificate to be equal to the SUM of:
>
> (a) eighty percent (80%) of the aggregate book value of the Eligible Receivables; PLUS

(b) fifty percent (50%) of the aggregate amount of the of Eligible Notes Receivable (such aggregate amount not to exceed $3,000,000 and resulting in an increase to the Borrowing Base not to exceed $1,500,000); PLUS

(c) twenty five percent (25%) of Eligible Inventory; MINUS

(d) one hundred percent (100%) of Grower Payables; PLUS

(e) the Borrowing Base Augmentation Amount, if any.

3. SECTION 1.1 - NEW DEFINITION OF "BORROWING BASE AUGMENTATION AMOUNT". The following definition is hereby added to the Loan Agreement:

"BORROWING BASE AUGMENTATION AMOUNT" means (a) for the fiscal period from and including February 1, 2001 to and including March 31, 2001, $4,000,000 and (b) for the fiscal period from and including April 1, 2001 to and including July 31, 2001, $2,000,000."

4. SECTION 1.1 - DEFINITION OF "EURODOLLAR MARGIN". The definition of "EURODOLLAR MARGIN" contained in SECTION 1.1 of the Loan Agreement is hereby amended in full to read as follows:

"EURODOLLAR MARGIN" means, for each Pricing Period, (a) with respect to the outstanding principal amount of Revolving Loans in excess of the Unaugmented Borrowing Base Amount, 3.50%, and (b) with respect to (i) the outstanding principal amount of Term Loans and (ii) the outstanding principal amount of Revolving Loans less than or equal to the Unaugmented Base Rate Amount, the interest rate margin set forth below opposite the Pricing Level for that Pricing Period:

PRICING LEVEL	EURODOLLAR MARGIN
I	1.50%
II	2.00%
III	2.50%

5. REDUCTION OF REVOLVING COMMITMENT. Notwithstanding the provisions of SECTION 2.8, the Revolving Commitment is hereby reduced to $10,000,000. The reference to "$ 12,000,000" contained in the definition of "REVOLVING COMMITMENT" is hereby replaced with "$ 10,000,000".

6. SECTION 1.1 - NEW DEFINITION OF "UNAUGMENTED BORROWING BASE AMOUNT". The following definition is hereby added to the Loan Agreement:

"UNAUGMENTED BORROWING BASE AMOUNT" means, the Borrowing Base, as set forth in the Borrowing Base Certificate most recently delivered to the

Administrative Agent pursuant to SECTION 7.1(e), MINUS the applicable Borrowing Base Augmentation Amount.

7. SECTION 6.5 - DISTRIBUTIONS AND OTHER RESTRICTED PAYMENTS. Each of the parties hereto hereby agrees that the Distributions or other Restricted Payments permitted by SECTION 6.5 (c) to by made to Landec, shall be suspended until such time as the Borrowing Base Augmentation Amount shall have been permanently reduced to zero and the aggregate principal amount of Revolving Loans outstanding does not exceed the then applicable Borrowing Base as evidenced by a certificate executed by a Responsible Official of Borrower.

8. SECTION 6.21 - EARN-OUT PAYMENTS. SECTION 6.21 is hereby amended to (a) delete the "and" at the end of SUBSECTION (ii), (b) delete the period at the end of SUBSECTION (iii) and replace it with "; and" and (c) add a new SUBSECTION (iv) as follows:

"(iv) the Borrowing Base Augmentation Amount shall have been permanently reduced to zero and the aggregate principal amount of Revolving Loans outstanding does not exceed the then applicable Borrowing Base as evidenced by a certificate executed by a Responsible Official of Borrower."

9. SECTION 7.1(b) - FINANCIAL AND BUSINESS INFORMATION. The first line of SECTION 7.1(b) is hereby amended to replace "90 days" with "135 days".

10. EXHIBIT B - BORROWING BASE CERTIFICATE. The Borrowing Base Certificate attached to the Loan Agreement as EXHIBIT B is hereby amended and restated in full in the form of ANNEX II attached to this Amendment.

11. EFFECTIVENESS. This Amendment shall become effective on such date as the Administrative Agent shall have received duly executed counterparts of (a) this Amendment , (b) ANNEX I attached hereto, and (c) Annex III hereto, signed by each Party thereto, each of the which shall be in form and substance satisfactory to the Administrative Agent and the Lenders (the "Effective Date").

12. REPRESENTATIONS AND WARRANTIES. Except (i) for representations and warranties which expressly relate to a particular date or which are no longer true and correct as a result of a change permitted by the Loan Agreement or the other Loan Documents or (ii) as disclosed by Borrower and approved in writing by the Requisite Lenders, the Borrower hereby represents and warrants that each representation and warranty made by Borrower in ARTICLE 4 of the Loan Agreement (other than SECTIONS 4.6 (first sentence), 4.11, and 4.18) are true and correct as of the date hereof as though such representations and warranties were made on and as of the date hereof. Without in any way limiting the foregoing, Borrower represents and warrants to the Administrative Agent and the Lenders that no Default or Event of Default has occurred and remains continuing or will result from the consents, waivers, amendments or transactions set forth herein or contemplated hereby.

13. CONFIRMATION. In all respects, the terms of the Loan Agreement and the other Loan Documents, in each case as amended hereby or by the documents referenced herein, are hereby confirmed.

IN WITNESS WHEREOF, Borrower, the Administrative Agent and the Lenders have executed this Agreement as of the date first set forth above by their duly authorized representatives.

APIO, INC., a Delaware corporation

By: /s/ GARY T. STEELE

Name: Gary T. Steele
Title: Chairman of the Board

BANK OF AMERICA, N. A., as Administrative Agent, Issuing Lender and sole Lender

By: /s/ JOHN PLECQUE

John Plecque, Senior Vice President

ANNEX I TO AMENDMENT NO. 2

CONSENT AND REAFFIRMATION OF GUARANTOR AND PLEDGOR

The undersigned guarantor and pledgor hereby consents to the execution, delivery and performance by Borrower and the Administrative Agent of the foregoing Amendment No. 2 to Loan Agreement ("Amendment No. 2"). In connection therewith, the undersigned expressly and knowingly reaffirms its liability under each of the Loan Documents to which it is a Party and expressly agrees (a) to be and remain liable under the terms of each such Loan Document and (b) that it has no defense, offset or counterclaim whatsoever against the Administrative Agent or the Lenders with respect to any such Loan Document.

The undersigned further agrees that each Loan Document to which it is a Party shall remain in full force and effect and is hereby ratified and confirmed.

The undersigned further agrees that the execution of this Consent and Reaffirmation of Guarantor and Pledgor is not necessary for the continued validity and enforceability of any Loan Document to which it is a Party, but is executed to induce the Administrative Agent and the Lenders to approve of and otherwise enter into the Amendment No. 2.

IN WITNESS WHEREOF, each of the undersigned, intending to be legally bound hereby, has caused this Consent and Reaffirmation of Guarantor and Pledgor to be executed as of February 28, 2001.

LANDEC CORPORATION, a California corporation

By: /s/ GARY T. STEELE

Name: Gary T. Steele
Title: President and CEO

ANNEX II TO AMENDMENT NO. 2

EXHIBIT B

BORROWING BASE CERTIFICATE

ANNEX III TO AMENDMENT NO. 2

CONSENT AND ACKNOWLEDGMENT

Each of the undersigned hereby consents to and acknowledges the execution, delivery and performance by Borrower and the Administrative Agent of the foregoing Amendment No. 2 to Loan Agreement ("Amendment No. 2"), including, without limitation, Section 8 of Amendment No. 2. In connection therewith, each of the undersigned expressly and knowingly agrees (a) to be subject to the terms of Section 6.21 of the Loan Agreement, as amended from time to time, including by Amendment No. 2 and (b) that it has no defense, offset or counterclaim whatsoever against the Administrative Agent or the Lenders.

IN WITNESS WHEREOF, each of the undersigned, intending to be legally bound hereby, has caused this Consent and Acknowledgment to be executed as of February 28, 2001.

By: /s/ NICHOLAS TOMPKINS

Nicholas Tompkins

By: /s/ KATHLEEN TOMPKINS

Kathleen Tompkins

EXHIBIT 10.32

AMENDMENT NO. 3 TO LOAN AGREEMENT

This Amendment No. 3 to Loan Agreement (this "Amendment"), dated as of April 26, 2001, is entered into with reference to the Loan Agreement (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement") dated as of November 29, 1999 currently among Apio, Inc., a Delaware corporation (successor by merger and name change to Bush Acquisition Corporation, a Delaware corporation) ("Borrower"), each lender from time to time a party thereto (each a "Lender" and collectively, the "Lenders"), Bank of America, N. A., as Issuing Lender, and Bank of America, N. A., as Administrative Agent (in such capacity, the "Administrative Agent"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Loan Agreement. Section references herein relate to the Loan Agreement unless otherwise stated.

The parties hereto hereby agree as follows:

1. SECTION 1.1 - DEFINITION OF "BASE MARGIN". The definition of "BASE MARGIN" contained in SECTION 1.1 of the Loan Agreement is hereby amended in full to read as follows:

"BASE MARGIN" means, for each Pricing Period, the interest rate margin set forth below opposite the Pricing Level for that Pricing Period:

Pricing Level	Base Rate Margin
I	0.25%
II	0.75%
III	1.25%

2. SECTION 1.1 - DEFINITION OF "BORROWING BASE AUGMENTATION AMOUNT". The definition of "BORROWING BASE AUGMENTATION AMOUNT" contained in SECTION 1.1 is hereby amended in full to read as follows:

"BORROWING BASE AUGMENTATION AMOUNT" means for the fiscal period from and including April 23, 2001 to and including July 31, 2001, $4,000,000."

3. SECTION 1.1 - DEFINITION OF "EURODOLLAR MARGIN". The definition of "EURODOLLAR MARGIN" contained in SECTION 1.1 of the Loan Agreement is hereby amended in full to read as follows:

"EURODOLLAR MARGIN" means, for each Pricing Period, with respect to (a) the outstanding principal amount of Term Loans and (b) the outstanding principal amount of Revolving Loans, the interest rate margin set forth below opposite the Pricing Level for that Pricing Period:

Pricing Level	Eurodollar Margin
I	1.75%
II	2.50%
III	3.25%

4. SECTION 1.1 - DEFINITION OF FIXED CHARGE COVERAGE RATIO: The definition of "FIXED CHARGE COVERAGE RATIO" contained in SECTION 1.1 of the Loan Agreement is hereby amended in full to read as follows:

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

5. SECTION 1.1 - DEFINITION OF "REVOLVING COMMITMENT". The definition of "REVOLVING COMMITMENT" contained in SECTION 1.1 of the Loan Agreement is hereby amended in full to read as follows:

"REVOLVING COMMITMENT" means the commitment by Lenders to make Revolving Loans to Borrower in an aggregate principal amount, subject to SECTION 2.8, not to exceed $12,000,000; PROVIDED, HOWEVER, that effective as of August 1, 2001, the Revolving Commitment shall be permanently reduced to $10,000,000.

6. SECTION 3.16 - BORROWING BASE AUGMENTATION FEE. A new SECTION 3.16 is hereby added to the Loan Agreement to read as follows:

"3.16 BORROWING BASE AUGMENTATION FEE. Monthly, in arrears, commencing on June 1, and continuing on the first day of each month thereafter until the Borrowing Base Augmentation Amount has been reduced to zero, Borrower shall pay to the Administrative Agent for the account of the Lenders in accordance with their Pro Rata Shares, prorated on an annualized basis, an amount equal to one percent (1.00%) TIMES the Borrowing Base Augmentation Amount."

7. SECTION 6.18 - MAXIMUM CAPITAL EXPENDITURES. The maximum amount of Capital Expenditures for the Fiscal Year ending October 31, 2001, shall be increased as follows:

(a) effective as of the date that the Borrower shall have provided to the Agent, in form and substance satisfactory to the Requisite Lenders, evidence that Borrower has obtained financing for its business system upgrade,

Borrower shall be permitted an additional $1,200,000 of Capital Expenditures; provided, however, that such Capital Expenditures shall only be made with respect to such business system upgrade;

(b) effective as of the date that the Borrower shall have provided to the Agent, in form and substance satisfactory to the Requisite Lenders, evidence that Borrower has obtained financing for its "value-added facility", Borrower shall be permitted an additional $1,200,000 of Capital Expenditures; provided, however, that such Capital Expenditures shall only be made with respect to such "value-added facility";

(c) in no event shall the aggregate Capital Expenditures made in the Fiscal Year ending October 31, 2001 exceed, inclusive of any permitted carryover from the Fiscal Year ending October 31, 2000 (i) $4,500,000 if only the condition set forth in paragraph (a) above is satisfied, (ii) $4,500,000 if only the condition set forth in paragraph (b) above is satisfied, and (iii) $5,700,000 if the conditions set forth in both paragraph (a) and (b) above are satisfied.

8. SECTION 6.12 - LEVERAGE RATIO. SECTION 6.12 is hereby amended such that the maximum ratio for the second Fiscal Quarter of the 2000/2001 Fiscal Year (i.e.: the 13 week Fiscal Quarter ending nearest to April 30, 2001) shall not exceed 3.00:1.00.

9. SECTION 6.16 - CURRENT RATIO. SECTION 6.16 is hereby amended such that the ratio described therein for the second Fiscal Quarter of the 2000/2001 Fiscal Year (i.e.: the 13 week Fiscal Quarter ending nearest to April 30, 2001) shall not be less than 0.75:1.00.

10. SECTION 6.17 - PROFITABILITY. The provisions of SECTION 6.17 are hereby suspended, and the Borrower shall not be required to comply therewith, for the first two Fiscal Quarters of the 2000/2001 Fiscal Year (i.e.: the 26 week fiscal period ending nearest April 30, 2001); PROVIDED, HOWEVER, that Borrower shall be required to comply with the provisions of SECTION 6.17 for the third Fiscal Quarter of the 2000/2001 Fiscal Year (i.e.: profitability of less than zero for the second and third Fiscal Quarters of the 2000/2001 Fiscal Year shall constitute an Event of Default).

11. EXHIBIT B - BORROWING BASE CERTIFICATE. Each of the parties hereto agrees that for purposes of the Borrowing Base Augmentation Amount as set forth in the Borrowing Base Certificate, such amount shall be as set forth in SECTION 5 of this Amendment and that other than this reference, no further amendment shall be required with respect to such Borrowing Base Certificate.

12. EXHIBIT C - COMPLIANCE CERTIFICATE. Each of the parties hereto agrees that the Compliance Certificate set forth on EXHIBIT C to the Loan Agreement shall be amended in full as set in ANNEX II to this Amendment.

13. EFFECTIVENESS. This Amendment shall become effective on such date (the "Effective Date") as the Administrative Agent shall have received, in form and substance

satisfactory to the Administrative Agent and the Lenders, (a) duly executed counterparts of this Amendment, (b) duly executed counterparts of ANNEX I attached hereto, signed by each Party thereto, and (c) for the account of the Lenders in accordance with their Pro Rata Shares, an amendment fee in the amount of $25,000.

14. REPRESENTATIONS AND WARRANTIES. Except (i) for representations and warranties which expressly relate to a particular date or which are no longer true and correct as a result of a change permitted by the Loan Agreement or the other Loan Documents or (ii) as disclosed by Borrower and approved in writing by the Requisite Lenders, the Borrower hereby represents and warrants that each representation and warranty made by Borrower in ARTICLE 4 of the Loan Agreement (other than SECTIONS 4.6 (first sentence), 4.11, and 4.18) are true and correct as of the date hereof as though such representations and warranties were made on and as of the date hereof. Without in any way limiting the foregoing, Borrower represents and warrants to the Administrative Agent and the Lenders that no Default or Event of Default has occurred and remains continuing or will result from the consents, waivers, amendments or transactions set forth herein or contemplated hereby.

15. CONFIRMATION. In all respects, the terms of the Loan Agreement and the other Loan Documents, in each case as amended hereby or by the documents referenced herein, are hereby confirmed.

[THIS SPACE INTENTIONALLY LEFT BLANK-
SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, Borrower, the Administrative Agent and the Lenders have executed this Agreement as of the date first set forth above by their duly authorized representatives.

APIO, INC., a Delaware corporation (successor by merger and name change to Bush Acquisition Corporation, a Delaware corporation)

By: /s/ GARY T. STEELE

Name: Gary T. Steele
Title: Chairman of the Board

BANK OF AMERICA, N. A., as Administrative Agent, Issuing Lender and sole Lender

By: /s/ JOHN PLECQUE

John Plecque, Senior Vice President

ANNEX I TO AMENDMENT NO. 3

CONSENT AND REAFFIRMATION OF GUARANTOR AND PLEDGOR

The undersigned guarantor and pledgor hereby consents to the execution, delivery and performance by Borrower and the Administrative Agent of the foregoing Amendment No. 3 to Loan Agreement ("Amendment No. 3"). In connection therewith, the undersigned expressly and knowingly reaffirms its liability under each of the Loan Documents to which it is a Party and expressly agrees (a) to be and remain liable under the terms of each such Loan Document and (b) that it has no defense, offset or counterclaim whatsoever against the Administrative Agent or the Lenders with respect to any such Loan Document.

The undersigned further agrees that each Loan Document to which it is a Party shall remain in full force and effect and is hereby ratified and confirmed.

The undersigned further agrees that the execution of this Consent and Reaffirmation of Guarantor and Pledgor is not necessary for the continued validity and enforceability of any Loan Document to which it is a Party, but is executed to induce the Administrative Agent and the Lenders to approve of and otherwise enter into the Amendment No. 3.

IN WITNESS WHEREOF, each of the undersigned, intending to be legally bound hereby, has caused this Consent and Reaffirmation of Guarantor and Pledgor to be executed as of April 26, 2001.

LANDEC CORPORATION, a California corporation

By: /s/ GARY T. STEELE
Name: Gary T. Steele
Title: President and CEO

ANNEX II

EXHIBIT C

COMPLIANCE CERTIFICATE

EXHIBIT C

COMPLIANCE CERTIFICATE

This COMPLIANCE CERTIFICATE (this "Certificate") is delivered with reference to that certain Loan Agreement dated as of November 29, 1999 by and among Bush Acquisition Corporation, a Delaware corporation (" Borrower"), the lenders from time to time party thereto (the "Lenders"), and Bank of America, N. A., as Administrative Agent for the Lenders (as amended, extended, renewed, supplemented or otherwise modified from time to time, the "Loan Agreement"). Terms defined in the Loan Agreement and not otherwise defined in this Certificate shall have the meanings defined for them in the Loan Agreement. Section references herein relate to the Loan Agreement unless stated otherwise.

This Certificate is delivered in accordance with Section 7.2 of the Loan Agreement by a Senior Officer of Borrower. This Certificate is delivered with respect to the Fiscal Quarter (the "Test Fiscal Quarter") ended _____, _____ (the "Determination Date").

I. SECTION 6.11 - NET WORTH. As of the Determination Date, beginning April 30, 2000, the Net Worth of Borrower and its Subsidiaries was $_____.

Minimum Required: $_____ (as calculated below)

MINIMUM REQUIRED NET WORTH IS CALCULATED AS FOLLOWS:

(a) $19,125,000	$19,125,000
PLUS (b) 75% of cumulative Net Income of Borrower and its Subsidiaries for each Fiscal Quarter which has then ended since the Closing Date (including the stub financial period beginning on the Closing Date and ending on January 31, 2000) and without deduction for any net loss during any such Fiscal Quarter and each Fiscal Quarter thereafter	$_____
PLUS (c) 100% of the Net Cash Proceeds to Borrower of the issuance of any equity securities by Borrower (or any holding company for any capital stock of Borrower since the Closing Date)	$_____
EQUALS minimum required Net Worth [(a)+(b)+(c)]	$_____

II. SECTION 6.12 - LEVERAGE RATIO. As of the Determination Date, beginning October 31, 2000, the Leverage Ratio (as calculated below) was ___:1.00.

MAXIMUM PERMITTED: _____:1.00(1)

THE LEVERAGE RATIO WAS COMPUTED AS FOLLOWS:

(a) Total Funded Debt of Borrower and its Subsidiaries as of the Determination Date (as calculated below)	$_____
DIVIDED BY (b) EBITDA of Borrower and its Subsidiaries for the four Fiscal Quarter period then ended (in the case of the four fiscal quarter period ending October 31, 2000, including the pre-merger results of Borrower and its Subsidiaries) (the "TEST PERIOD") (as calculated below)	$_____
EQUALS LEVERAGE RATIO [(a)/(b)]	___:1.00

TOTAL FUNDED DEBT OF BORROWER AND ITS SUBSIDIARIES -- COMPONENT CALCULATIONS

In the above computation, Total Funded Debt of Borrower and its Subsidiaries as of the Determination Date is (without duplication) the SUM OF the following: determined on a consolidated basis for Borrower and its Subsidiaries, (2)

(a) all outstanding principal Indebtedness for borrowed money (INCLUDING debt securities issued by Borrower or any of its Subsidiaries)	$_____
MINUS (b) obligations with respect to the Earn Out Payments and accumulated amounts due under the Management Agreement and the Tax Agreement	$_____
PLUS (c) all interest bearing obligations	$_____

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(1) Insert maximum required ratio as set forth in Section 6.12 of the Loan Agreement, as as amended.

(2) In calculating Total Funded Debt, the outstanding principal balance of the Revolving Commitment shall be deemed to equal (y) as of October 31, 2000, the average of the outstanding Revolving Usage as of October 31, 2000 and as of each of the last days of the two immediately preceding Fiscal Quarters, and (z) as of the last day of each subsequent Fiscal Quarter, the average of the outstanding Revolving Usage as of the last days of that Fiscal Quarter and the three immediately preceding Fiscal Quarters.

PLUS (d) the aggregate amount of all Capital Lease Obligations $_____

PLUS (e) all obligations in respect of letters of credit or other similar instruments for which Borrower or any of its Subsidiaries are account parties or are otherwise obligated $_____

PLUS (f) the aggregate amount of all Contingent Obligations and other similar contingent obligations of Borrower and its Subsidiaries with respect to any of the foregoing $_____

PLUS (g) any obligations of Borrower or any of its Subsidiaries to the extent that the same are secured by a Lien on any of the assets of Borrower or its Subsidiaries $_____

EQUALS TOTAL FUNDED DEBT [(a)-(b)+(c)+(d)+(e)+(f)+(g)] $_____

EBITDA - COMPONENT CALCULATIONS

EBITDA for the Test Period was calculated (without duplication) as follows, in each case as determined on a consolidated basis for Borrower and its Subsidiaries, in accordance with Generally Accepted Accounting Principles:

(a) Net Income for the Test Period $_____

PLUS (b) income tax expense (if any) for the Test Period $_____

PLUS (c) gross interest expense for the Test Period $_____

PLUS (d) depreciation for the Test Period $_____

PLUS (e) non-cash amortization for the Test Period $_____

MINUS (f) extraordinary income and gains for the Test Period (other than proceeds of crop insurance settlements) ($_____)

MINUS (g) gains (or PLUS losses) on sales of fixed assets for the Test Period ($_____)

PLUS (h) accrued Management Fee Distributions and accrued Tax Agreement Amounts for the Test Period $_____

EQUALS EBITDA [(a)+(b)+(c)+(d)+(e)-(f)-(g)+(h)] $_____

III. SECTION 6.13 - MINIMUM EBITDA. As of the Determination Date, EBITDA (as calculated in item II above) was $_____.

MINIMUM REQUIRED: $_____ (3)

IV. SECTION 6.14 - MINIMUM EBITDA PRIOR TO FARMING LOSSES. As of the Determination Date, the SUM OF EBITDA (as calculated in item II above) PLUS farming losses was $_____.

MINIMUM PERMITTED: $_____ (4)

V. SECTION 6.15 - FIXED CHARGE COVERAGE RATIO

A. As of the Determination Date, beginning July 31, 2000, the Fixed Charge Coverage ratio (as calculated below) was _____: 1.00.

MINIMUM PERMITTED: 1.25: 1.00

THE FIXED CHARGE COVERAGE RATIO WAS COMPUTED AS FOLLOWS:

(a) the SUM OF:

(i) EBITDA for the Test Period(5) (as calculated in item II above)	$_____
MINUS (ii) Capital Expenditures (net of any Indebtedness constituting purchase money incurred to finance those Capital Expenditures) for the Test Period	($_____)
MINUS (iii) income taxes payable in cash for the Test Period	($_____)

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3 Insert the applicable amount from Section 6.13 of the Loan Agreement, as amended.

4 Insert the applicable amount from Section 6.14 of the Loan Agreement, as amended.

5 PROVIDED that as of the last day of the Fiscal Quarters ending July 31, 2000 and October 31, 2000, the Fixed Charge Coverage Ratio shall be calculated for the period since the Closing Date.

MINUS (iv) Tax Gross- Up's Per the Test Period $_____

MINUS (v) Management Fee Distributions to the extent paid in cash $_____

DIVIDED BY (b) Fixed Charges for the Test Fiscal Quarter (as calculated below) $_____

EQUALS Fixed Charge Coverage Ratio [a/b] ___: 1.00

FIXED CHARGES CALCULATION:

(a) gross interest expense of Borrower and its Subsidiaries on a consolidated basis (paid or payable in Cash) $_____

PLUS (b) scheduled principal payments of Borrower and its Subsidiaries on indebtedness for borrowed money and Capital Leases $_____

EQUALS Fixed Charges [(a)+(b)] $_____

VI. SECTION 6.16 - CURRENT RATIO. As of the Determination Date, the ratio of (a) the consolidated current assets of Borrower and its Subsidiaries as of the Determination Date, to (b) the consolidated current liabilities of Borrower and its Subsidiaries as of the Determination Date (excluding accrual accounts for Earn Out Payments, Tax Agreement Amounts and Management Fee Distributions, but in any event including the Revolving Usage) (in each case determined in accordance with GAAP) was $_____.

MAXIMUM PERMITTED: _____(6)

VII. SECTION 6.17 - PROFITABILITY. The SUM OF Net Income of Borrower and its Subsidiaries for the Test Fiscal Quarter PLUS accrued but unpaid Management Fee Distributions of Borrower and its Subsidiaries for the Test Fiscal Quarter was $_____.

MINIMUM PERMITTED: $_____(7)

PROFITABILITY FOR FISCAL QUARTER IMMEDIATELY PRECEDING THE TEST FISCAL QUARTER: $_____

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6 Insert applicable amount from Section 6.16 of the Loan Agreement, as amended.

7 This sum shall not be less than zero for any two consecutive Fiscal Quarters (beginning with the two Fiscal Quarters ending April 30, 2000 and July 31, 2000).

VIII. SECTION 6.18 - MAXIMUM CAPITAL EXPENDITURES. As of the Determination Date, the aggregate amount of Capital Expenditures made by Borrower and its Subsidiaries during the current Fiscal Year was $_____.

MAXIMUM PERMITTED: $_____(8)

IX. SECTION 6.19 - MAXIMUM RESEARCH AND DEVELOPMENT EXPENDITURES. As of the Determination Date, the aggregate amount of research and development expenditures made by Borrower and its Subsidiaries during the current Fiscal Year was $_____.

MAXIMUM PERMITTED: $1,500,000

X. SECTION 6.8 - INDEBTEDNESS AND CONTINGENT OBLIGATIONS. As of the Determination Date, the outstanding balance of Indebtedness and Contingent Obligations permitted by Section 6.8 is as follows.

(a) Existing Indebtedness and Contingent Obligations disclosed on Schedule 6.8	$_____
(b) Indebtedness and Contingent Obligations in favor of the Creditors under the Loan Documents	$_____
(c) Indebtedness and Contingent Obligations arising from the endorsement of instruments for collection in the ordinary course of Borrower's business	$_____
(d) Indebtedness and Contingent Obligations consisting of the Approved Swap Agreement	$_____
(e) Purchase money Indebtedness and obligations in connection with Capital Leases PROVIDED that the aggregate amount of such Indebtedness and Capital Leases incurred in any Fiscal Year does not exceed $500,000	$_____
(f) Subordinated Obligations	$_____

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8 Insert the applicable amount from Section 6.18 of the Loan Agreement.

(g) Deferred obligations under the Management Agreement and the Tax Agreement (subject to the subordination provisions contained in the Landec Guaranty) $_____

(h) Indebtedness and Contingent Obligations under initial or successive refinancings of any Indebtedness permitted under clauses (a) and (f) above, provided that the principal amount of any such refinancing does not exceed the principal amount of the Indebtedness being refinanced and the material terms and provisions of any such refinancing (including maturity, redemption, prepayment, default and subordination provisions) are no less favorable to the Lenders than the Indebtedness being refinanced $_____

(i) Indebtedness of Borrower with respect to the Secondary Partner Deferred Payments referred to in Section 2.6 of the Merger and Purchase Agreement $_____

XI. A review of the activities of Borrower and its Subsidiaries during the fiscal period covered by this Certificate has been made under the supervision of the undersigned with a view to determining whether during such fiscal period Borrower performed and observed all of its Obligations. To the best knowledge of the undersigned, during the fiscal period covered by this Certificate, all covenants and conditions have been so performed and observed and no Default or Event of Default has occurred and is continuing, with the exceptions set forth below in response to which Borrower has taken or proposes to take the following actions (if none, so state).

_____
_____
_____
_____

XII. The undersigned a Senior Officer of Borrower certifies that the calculations made and the information contained herein are derived from the books and records of Borrower and its Subsidiaries, as applicable, and that each and every matter contained herein correctly reflects those books and records.

XIII. To the best knowledge of the undersigned no event or circumstance has occurred that constitutes a Material Adverse Effect since the date the most recent Compliance Certificate was executed and delivered, with the exceptions set forth below (if none, so state).

_____
_____
_____
_____

Dated: _____

BUSH ACQUISITION CORPORATION,
a Delaware corporation

By: _____
Name:
Title: