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

FORM 10-K

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

For the Fiscal Year Ended May 26 , 2024 , 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: **000-27446**

LIFECORE BIOMEDICAL, INC.

(Exact name of registrant as specified in its charter)

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

3515 Lyman Boulevard	
Chaska, Minnesota	**55318**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:
(952) 368-4300

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.001 per share	LFCR	The NASDAQ Global Select Stock Market

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $ 153,865,000 as of November 26, 2023, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sales price on the NASDAQ Global Select Market reported for such date.

As of August 23, 2024, there were 30,898,255 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

LIFECORE BIOMEDICAL, INC.
ANNUAL REPORT ON FORM 10-K

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Cautionary Note About Forward-Looking Statements

This Annual Report on Form 10-K, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements regarding future events and our future results that are subject to the safe harbor created under the Private Securities Litigation Reform Act of 1995 and other safe harbors under the Securities Act of 1933 and the Securities Exchange Act of 1934. Words such as “anticipate”, “estimate”, “expect”, “project”, “plan”, “intend”, “believe”, “may”, “might”, “will”, “should”, “can have”, “likely” and similar expressions are used to identify forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected. Potential risks and uncertainties include, without limitation, the timing and expenses associated with operations, the ability to achieve acceptance of our new products in the marketplace, government regulations affecting our business, the timing of regulatory approvals, the impact of adverse and uncertain economic conditions in the U.S. and international markets, the mix between domestic and international sales, and those other risks mentioned in Item 1A. “Risk Factors” of this report.

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

All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements as well as others made in this report and hereafter in our other SEC filings and public communications.

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

PART I

Item 1. *Business*

Corporate Overview

Lifecore Biomedical, Inc. and its subsidiaries (“Lifecore”, the “Company”, “we” or “us”) is a fully integrated contract development and manufacturing organization (“CDMO”) that offers highly differentiated capabilities in the development, fill and finish of sterile injectable pharmaceutical products in syringes, vials and cartridges, including complex formulations. As a leading manufacturer of premium, injectable grade sodium hyaluronic (“HA”) in bulk form as well as formulated and filled syringes and vials for injectable products used in treating a broad spectrum of medical conditions and procedures. Lifecore uses its fermentation process and aseptic formulation and filling expertise to be a leader in the development of HA-based products for multiple applications and to take advantage of non-HA device and drug opportunities which leverage its expertise in manufacturing and aseptic syringe filling capabilities. Lifecore CDMO provides product development services to its partners for HA-based, as well as non-HA based, aseptically formulated and filled products. These services include activities such as technology development, material component changes, analytical method development, formulation development, pilot studies, stability studies, process validation and production of materials for clinical studies. The Company brings more than 40 years of expertise as a partner for global and emerging biopharmaceutical and biotechnology companies across multiple therapeutic categories to bring their innovations to market.

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

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

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

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

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

Deliver consistent quality:
Lifecore has built a world class quality and regulatory system that is demonstrated in its results, processes and customer relationships. With over 38 years of a superior track record with global regulatory bodies (FDA (as defined below), EMA, ANVISA, etc.), Lifecore is the partner of choice for companies looking for proven experience in delivering QbD, cGMP compliance, and manufacturing excellence with pharmaceutical elegance and quality. Lifecore's world class quality and regulatory system and excellent track record with the global regulatory bodies ensure partners that they will safely bring innovative therapies to market.

We are focused on driving profitable growth with product development and manufacturing of sterile injectable products. Lifecore seeks to expand its presence in the CDMO marketplace by partnering with biopharmaceutical and biotechnology companies to bring their unique therapies to market. Lifecore's goal of continuing success will be to execute on its three strategic priorities:

1) *Managing Business Development Pipeline*: Accelerate product development activities for virtual, small and large biopharmaceutical and biotechnology companies in various stages of the product lifecycle, spanning clinical development stage to commercialization, which aligns with the business' overall product development strategy.

2) *Maximizing Capacity*: Meet customer demand by maximizing capacity in the syringe, vial and cartridge multi-purpose filler production line to significantly increase the number of products produced.

3) *Advancing Product Commercialization*: Continue to seek out opportunities to advance customers' late-stage product development activities by supporting their clinical programs and commercial process scale-up activities.

The Company's principal executive offices are located at 3515 Lyman Boulevard, Chaska, Minnesota 55318, and the telephone number is (952) 368-4300.

Reportable Segments

The Company operates in one reportable segment: Lifecore, which is described in further detail below. This is based on the objectives of the business and how our Chief Operating Decision Maker ("CODM"), the President and Chief Executive Officer, regularly reviews and manages the business, monitors operating performance and allocates resources.

Sales and Marketing

Lifecore relies on name recognition and referrals regarding its biomedical-based CDMO and manufacturing experience and expertise to attract new customers and offers its services with minimal marketing and sales infrastructure.

Manufacturing and Processing

The commercial production of HA requires fermentation, separation, purification and aseptic processing capabilities. HA can primarily be produced in two ways, either through bacterial fermentation or through extraction from rooster combs. Lifecore produces HA only from bacterial fermentation, using an efficient microbial fermentation process and an effective purification operation.

Lifecore's facilities in Chaska, Minnesota are used for the HA and non-HA manufacturing process, formulation, aseptic syringe, vial and cartridge filling, analytical services, secondary packaging, warehousing raw materials and finished goods, and distribution. Lifecore provides versatility in the manufacturing of various types of finished products and supplies several different forms of HA and non-HA products in a variety of molecular weight fractions as powders, solutions and gels, and in a variety of bulk and single-use finished packages. The Company believes that its current manufacturing capacity plan will be sufficient to allow it to meet the needs of its current customers for the foreseeable future.

Competition

Our competition in the CDMO market includes a number of full-service contract manufacturers and large pharmaceutical companies that have the ability to insource manufacturing. Also, some pharmaceutical companies have been seeking to divest all or portions of their manufacturing capacity, and any such divested assets may be acquired by our competitors. Some of our significantly larger and global competitors have substantially greater financial, marketing, technical and other resources than we do. Moreover, additional competition may emerge and may, among other things, create downward pricing pressure, which could negatively impact our financial condition and results of operations.

Seasonality

Lifecore is not significantly affected by seasonality. However, the timing of customer orders, the scale, scope, mix, and the duration of our fulfillment of such customer orders can result in variability in our periodic revenues.

Government Regulation

The Food and Drug Administration ("FDA") regulates and/or approves the clinical trials, commercial production, manufacturing, labeling, distribution, import, export, sale and promotion of medical devices and drug products in or from the United States. Some of the Company's and its customers' products are subject to extensive and rigorous regulation by the FDA, which regulates some of the products as medical devices or drug products, that in some cases require FDA approval or clearance, prior to U.S. distribution of Pre-Market Approval for device products, or New Drug Applications for drug products, or Pre-Market Notifications, or other submissions and by foreign countries, which regulate some of the products as medical devices or drug products.

Other regulatory requirements are placed on the design, manufacture, processing, packaging, labeling, distribution, record-keeping and reporting of a medical device or drug products and on the quality control procedures. For example, medical device and drug manufacturing facilities are subject to periodic inspections by the FDA and other international regulatory agencies to assure compliance with device and/or drug requirements, as applicable. The FDA and other international regulatory agencies may conduct pre-approval inspections for device and drug product introductions. For device and drug products, the company that owns the product submission is required to submit an annual report and also to obtain approval, as applicable, for modifications to the device, drug product, or its labeling. FDA also maintains adverse event reporting requirements for drug products, among other post-market regulatory requirements.

Human Capital

Our Mission

The strength of our team and our workplace culture is essential to our ability to achieve our broader mission. Attracting, developing and retaining exceptional employees is vitally important to us, and we invest in creating a differentiated culture for our team that enables continuous innovation at scale. We want to be a force for good, a team that is helping to improve the quality of life for our customers and employees. As of May 26, 2024, the Company had 524 full-time employees, of whom 484 were dedicated to research, development, manufacturing, quality control and regulatory affairs, and 40 were dedicated to sales, marketing and administrative activities. Substantially all of our employees are located in the United States. None of our employees are represented by labor unions or collective bargaining agreements. Lifecore intends to recruit additional personnel in connection with the development, manufacturing and marketing of its products.

On July 8, 2024, we implemented a strategic reduction of the Company's workforce (the "Workforce Reduction Plan") to terminate 46 full-time employees of the Company, representing approximately 9% of the Company's workforce, as part of an initiative to strategically optimize the Company's cost structure. In connection with the Workforce Reduction Plan, the Company estimates that it will incur termination benefit costs of approximately $1.0 million, which primarily consist of one-time severance benefits. These costs are expected to be incurred in the first quarter of fiscal year 2025 and paid during both the first and second quarters of fiscal year 2025.

Our Employee Engagement and Culture

Our hiring process has been designed to provide an equitable candidate experience, facilitate the inclusion of new perspectives, foster innovation and creativity and leverage technology and data analytics to address gaps in representation.

We provide training to our employees in the areas of safety and human resources along with production area specific training. Individual training plans for continued growth are developed between employees and supervisors or managers. Frontline supervision workers at factory locations are provided improvement tools for training, as well as employee interface training.

We seek to empower our employees to own their career path and seek out training programs to take them to the next level. We are currently in the process of developing a platform for growth opportunities and ways to understand and communicate career pathways. We have also invested in our training and development programs and infrastructure for our employees.

Available Information

Lifecore's website is www.lifecore.com. Lifecore makes available free of charge copies of its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practicable after filing such material electronically with, or otherwise furnishing it to, the SEC. In addition, these materials may be obtained at the website maintained by the SEC at www.sec.gov. The reference to the Company's website address does not constitute incorporation by reference of the information contained on the website, and the information contained on the website is not part of this document.

Item 1A. *Risk Factors*

Our business faces significant risks and uncertainties. Certain important factors may have a material adverse effect on our business, prospects, financial condition and results of operations, any of which could subsequently have an adverse effect on the trading price of our common stock, par value $0.001 per share ("Common Stock"), and you should carefully consider them. Accordingly, in evaluating our business, we encourage you to consider the following discussion of risk factors in its entirety, in addition to other information contained in or incorporated by reference into this Annual Report on Form 10-K and our other public filings with the SEC. Additional risks not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and results of operations in future periods.

Risk Factor Summary

Our business is subject to numerous risks and uncertainties, including those highlighted in this section titled "Risk Factors" and summarized below. We have various categories of risks, including risks related to our business and operations, risks related to ownership of our Common Stock, and general risks, which are discussed more fully below. As a result, this risk factor summary does not contain all of the information that may be important to you, and you should read this risk factor summary together with the more detailed discussion of risks and uncertainties set forth following this summary, as well as elsewhere in this Annual Report on Form 10-K. These risks include, but are not limited to, the following:

- We have identified material weaknesses in our internal control over financial reporting, which if not remediated, could adversely affect our business.
- We are highly leveraged, and our contractual obligations may limit our operational flexibility and cash flow available to invest in the ongoing needs of our business or otherwise adversely affect our results of operations.
- We have limited capital and will need to raise additional capital in the immediate future.
- Our failure to timely file certain periodic reports with the SEC and our prior restatements have had, and may in the future have further, material adverse consequences to our business, our financial condition, results of operations and our cash flows.
- A significant portion of our revenue has been concentrated on a few large customers, including Alcon, one of our primary lenders. Cancellations or delays of orders by our customers may adversely affect our business and the sophistication and buying power of our customers could have a negative impact on profits.

- Actions of activist stockholders could be disruptive and costly, and the possibility that activist stockholders may seek changes that conflict with our strategic direction could cause uncertainty about the strategic direction of our business.
- Our sale of some products may expose us to product liability claims.
- We are subject to increasing competition in the marketplace.
- If we are unable to secure contract manufacturers with capabilities to produce the products that we require, our CDMO services are highly complex and failure to provide quality and timely services to our CDMO customers, could adversely impact our business.
- We may be adversely impacted by the terms of our refinancing transactions with Alcon and by Alcon’s concentrated relationship with us as a significant customer of ours and as our lender.
- Our operations are subject to regulations that directly impact our business.
- Our stockholder value creation program may not have the anticipated results we intended, expose us to additional restructuring costs and operational risks, and may be negatively perceived in the markets.
- We may not be able to achieve acceptance of our new products in the marketplace.
- We have a concentration of manufacturing and may have to depend on third parties to manufacture our products.
- Potential indemnification obligations related to divestitures made in connection with the sale transactions related to Project SWIFT may have a material adverse effect on our business, financial condition and results of operations.
- Our dependence on single-source suppliers and service providers may cause disruption in our operations should any supplier fail to deliver materials.
- Our profitability is dependent upon our ability to obtain appropriate pricing for our products and to control our cost structure.
- We depend on our infrastructure to have sufficient capacity to handle our on-going production needs.
- We depend on strategic partners and licenses for future development.
- Any new business acquisition will involve uncertainty relating to integration.
- Our future operating results are likely to fluctuate which may cause our stock price to decline.
- Our stock price may fluctuate in response to various conditions, many of which are beyond our control.
- Our Convertible Preferred Stock has rights, preferences, and privileges that are not held by, and are preferential to, the rights of holders of our Common Stock.
- We have never paid any dividends on our Common Stock.
- Our corporate organizational documents and Delaware law have anti-takeover provisions that may inhibit or prohibit a takeover of us and the replacement or removal of our management.
- Our business and operations could be negatively affected if it becomes subject to any securities litigation or stockholder activism, which could cause us to incur significant expense, hinder execution of business and growth strategy and impact its stock price.
- Our Common Stock may be delisted from Nasdaq, which could significantly adversely affect us, our business, and the value and liquidity of our Common Stock.
- Changes to U.S. trade policy, tariff and import/export regulations may have a material adverse effect on our business.
- We may be exposed to employment-related claims and costs that could materially adversely affect our business.
- We may be subject to unionization, work stoppages, slowdowns or increased labor costs.
- We are dependent on our key employees and if one or more of them were to leave, we could experience difficulties in replacing them, or effectively transitioning their replacements and our operating results could suffer.
- Our reputation and business may be harmed if our computer network security or any of the databases containing our trade secrets, proprietary information or the personal information of our employees, or those of third parties, are compromised.
- We depend on our intellectual property, and we may be unable to adequately protect our intellectual property rights or may infringe intellectual property rights of others.
- We have access to certain intellectual property and information of our customers and suppliers, and failure to protect that intellectual property or information could adversely affect our future growth and success.
- The global economy is experiencing continued volatility, which may have an adverse effect on our business.
- Litigation costs and the outcome of litigation could have a material adverse effect on our business.
- Increasing attention to Environmental, Social, and Governance (“ESG”) matters may impact our business, financial results or stock price.

Risks Related to Our Business and Operations

We have identified material weaknesses in our internal control over financial reporting, which if not remediated, could adversely affect our business.

As previously disclosed, material weaknesses in our internal control over financial reporting have been identified, which have not been remediated. In addition, as previously disclosed, material weaknesses have been identified in our internal control over financial reporting in the past, which have not been remediated. A “material weakness” is a deficiency, or a combination of deficiencies, in internal controls over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls or fraud. Even effective internal controls over financial reporting can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls or if we experience difficulties in their implementation, our business and financial results could be harmed, and we could fail to meet our financial reporting obligations. Management assessed the effectiveness of our internal control over financial reporting as of May 26, 2024. In making this assessment, we identified deficiencies in the internal control over financial reporting that aggregated to material weaknesses in certain components of the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) framework. As a result, our control activities were ineffective and represent a material weakness. Additionally, material errors in the Company's financial statements were identified in the 2023 Annual Report, primarily relating to the areas of inventory valuation, the capitalization of interest on assets under construction, recording of development revenue and related cost of sales, the presentation of certain operating costs and expenses of continuing operations and discontinued operations, and the write off of other receivables of the Company’s former Curation Foods businesses that were not collectible prior to the fiscal year periods presented in the consolidated financial statements. If the steps we take do not remediate the material weakness in a timely manner, we may be unable to conclude in the future that we maintain effective internal control over financial reporting. The material weaknesses and the remediation thereof have caused, and are expected in the future to cause, us to incur significant accounting, legal, and other advisory costs and expenses, and substantial time from our management time and employees. See Item 9A., “Controls and Procedures,” in this Annual Report on Form 10-K for additional information regarding the identified material weaknesses and our actions to date to remediate the material weaknesses.

The implementation of procedures to remediate the material weaknesses is ongoing and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles. We cannot be certain that these measures will successfully remediate the material weaknesses or that other material weaknesses and control deficiencies will not be identified in the future. If our efforts are not successful or other material weaknesses or control deficiencies occur in the future, we may be unable to report our financial results accurately on a timely basis or help prevent fraud, which could cause our reported financial results to be materially misstated and result in the loss of investor confidence or delisting and cause the market price of our securities to decline.

We are highly leveraged, and our contractual obligations may limit our operational flexibility and cash flow available to invest in the ongoing needs of our business or otherwise adversely affect our results of operations.

We are highly leveraged. As of May 26, 2024, we had approximately $164.5 million in total indebtedness and $12.3 million available for borrowing under our revolving credit facility.

We are party to two credit agreements, which contain a number of covenants that limit our ability and our subsidiaries’ ability to, among other things, incur additional indebtedness, pay dividends, create liens, engage in transactions with affiliates, merge or consolidate with other companies, or sell substantially all of our assets. In addition, the holders of our Convertible Preferred Stock have certain consent rights over our ability to incur indebtedness above certain thresholds, which could further limit our ability to incur additional indebtedness. The New Term Loan Credit Facility with Alcon also contains certain operational requirements and limitations, including that the Company’s material uncured violation of the Alcon Supply Agreement constitutes an event of default under the New Term Loan Credit Facility. The terms of our credit agreements may restrict our current and future operations and could adversely affect our ability to finance our future operations or capital needs or to execute preferred business strategies. In addition, complying with these covenants may make it more difficult for us to successfully execute our business strategy and compete against companies who are not subject to such restrictions. Our credit agreements also contain covenants related to maintaining current financial reporting and going concern maintenance. As previously disclosed, we have, in the past, determined we were not in compliance with the covenants under our credit agreements, including with respect to our timely financial reporting and going concern, which were subsequently remediated. In addition, although we have received waivers from our lenders regarding our current financial reporting delays, there can be no assurances that we will not be in non-compliance in the future.

A failure by us to comply with the covenants specified in our credit agreements, as amended, could result in an event of default under the agreements, which would give the lenders the right to terminate their commitments to provide additional loans under our credit agreements and to declare all borrowings outstanding, together with accrued and unpaid interest, to be immediately due and payable. In addition, the lenders would have the right to proceed against the collateral we granted to them, which consists of substantially all of our assets. As previously disclosed, we have been in noncompliance with our credit agreements in the past, and we cannot guarantee that we will be able to remain in compliance with all applicable covenants under the credit agreements in the future, that our lenders will elect to provide waivers or enter into amendments in the future, or, if the lenders do provide waivers, that those waivers will not be conditioned upon additional costs or restrictions that could materially or adversely impact our business, cash flows, results of operations, and financial condition. In addition, if the debt under our credit agreements were to be accelerated, we may not have sufficient cash or be able to borrow sufficient funds to refinance the debt or sell sufficient assets to repay the debt, which could immediately, materially and adversely affect our business, cash flows, results of operations, and financial condition, and there would be no guarantee that we would be able to find alternative financing. Even if we were able to obtain alternative financing, it may not be available on commercially reasonable terms or on terms that are acceptable to us.

The degree to which we are leveraged could have important adverse consequences to holders of our securities, including the following:

- we must dedicate a substantial portion of cash flows from operations to the payment of principal and interest on applicable indebtedness which, in turn, reduces funds available for operations, capital expenditures and growth;
- our flexibility in planning for, or reacting to, changes in the markets in which we compete may be limited;
- we may be at a competitive disadvantage relative to our competitors with less indebtedness; and
- we are rendered more vulnerable to general adverse economic and industry conditions.

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

We have limited capital and will need to raise additional capital in the immediate future.

We anticipate the need to raise additional capital to execute on our strategies for growth and to fund our significant capital expenditures. We may be unable to obtain additional capital when required or on favorable terms. Future capital expenditures, including the installation of our fillers, our exploration, development, production and marketing activities, as well as our administrative requirements (such as salaries, insurance expenses and general overhead expenses, as well as legal compliance costs and accounting expenses) have required, and are anticipated to continue to require, a substantial amount of additional capital and cash flow. In addition, the Revolving Credit Facility matures on December 31, 2025, which, if not extended, will need to be refinanced.

We may pursue sources of additional capital through various financing transactions or arrangements, including equity financing, collaboration, strategic alliances or licensing arrangements, debt financing or other means. We may not be successful in identifying suitable financing transactions in the time period required or at all, and we may not obtain the capital we require by other means. If we do not succeed in raising additional capital, our resources may not be sufficient to fund our growth strategies and budgeted capital expenditures, which could have significant adverse impacts on our business, financial condition, results of operations, and cash flows. In addition, if we do not succeed in raising additional capital in the near-term, we may determine in subsequent periods that substantial doubt exists as to our ability to continue as a going concern for the year following the reporting of our financial statements for such period, which management must assess in connection with the issuance of its financial statements for each period based on the events and conditions at that time (including any significant indebtedness that may become due during that year, such as the Revolving Credit Facility, as noted above). If we were to make that determination in connection with the filing of any subsequent periodic report, it our ability to continue as a going concern for the year following the reporting of our financial statements for such period, which management must assess in connection with the issuance of its financial statements for each period based on the events and conditions at that time (including any significant indebtedness that may become due during that year, such as the Revolving Credit Facility, as noted above). If we were to make that determination in connection with the filing of any subsequent periodic report, it would cause a violation of our covenants under our credit agreements, as well as other significant adverse impacts to us, including but not limited to harm to our reputation, investor confidence, customer relationships, relationships with our lenders, and the willingness for third parties to do business with us on favorable terms, or at all, in the future, costs and distractions for management and the business, and additional challenges in raising capital on favorable terms, or at all.

Our ability to obtain financing, if and when necessary, may be impaired by such factors as the capital markets (both generally and in our industry in particular), our recent operating and delinquent reporting history, our risk of delisting, our prospects for expansion, and the recently announced changes to our Board and key employees. Further, the holders of our Convertible Preferred Stock are entitled to certain participation rights with respect to any equity financing (subject to certain limitations) and certain consent rights related to further increases in indebtedness or other material transactions, in each case, as further described under the applicable documents related thereto, which could adversely impact the Company's ability to obtain financing terms on favorable terms, or at all. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, is not sufficient to satisfy our capital needs, third parties may be reluctant to provide the services we need in order to operate and we may be required to cease our operations, divest our assets at unattractive prices or obtain financing on unattractive terms.

Any additional capital raised through the sale of equity may dilute the ownership percentage of our stockholders. Raising any such capital could also result in a decrease in the fair market value of our equity securities because our assets would be owned by a larger pool of outstanding equity. In addition, the holders of the Convertible Preferred Stock, by virtue of their anti-dilutive protections and participation rights, may cause such an equity raise to be further dilutive to the Company's other existing stockholders, and potentially create further consolidation of ownership among our largest stockholders. In addition, the terms of securities we issue in future capital transactions may be more favorable to our new investors, and may include preferences, superior voting rights and the issuance of other derivative securities, and issuances of incentive awards under equity employee incentive plans, which may have a further dilutive effect.

If we raise additional funds through collaboration, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates, or grant licenses on terms that are not favorable to us. Debt financing, if available, would result in increased fixed payment obligations, may be subject to consent requirements from our lenders and holders of Convertible Preferred Stock and may involve agreements that include covenants limiting or restricting our ability to take specific actions such as incurring debt or making capital expenditures.

We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, which may adversely impact our financial condition.

Our failure to timely file certain periodic reports with the SEC and our prior restatements have had, and may in the future have further, material adverse consequences to our business, our financial condition, results of operations and our cash flows.

As previously publicly disclosed, we have failed to timely file certain of our periodic reports with the SEC. We failed to timely file our Annual Report on Form 10-K for the fiscal year ended May 28, 2023, which we filed late on March 20, 2024. We failed to timely file our Quarterly Reports on Form 10-Q for the periods ending August 27, 2023, November 26, 2023, and February 25, 2024, which we filed late on August 9, 2024.

Also as previously publicly disclosed, we have restated previously issued financial statements for several periods, including, most recently, on May 20, 2024, the restatement of our previously issued consolidated financial statements as of and for the fiscal years ended May 29, 2022, and May 30, 2021 included in the Company's Annual Reports on Form 10-K or Form 10-K/A, and our unaudited consolidated financial statements as of and for the periods ending August 30, 2020, November 29, 2020, February 28, 2021, August 29, 2021, November 28, 2021, February 27, 2022, August 28, 2022, November 27, 2022 and February 26, 2023 included in the Company's Quarterly Reports on Form 10-Q or Form 10-Q/A.

Our failure to timely file certain periodic reports with the SEC and our prior restatements have had, and may in the future have further, material adverse consequences to, and pose significant risk to, our business, which could materially and adversely affect our business, our financial condition, our results of operations and our cash flows. These adverse consequences include, but are not limited to, the potential delisting of our Common Stock on the Nasdaq Stock Exchange ("Nasdaq"), stockholder litigation, SEC investigations, stockholder activism, violations of our obligations under our existing material arrangements, including our credit agreements and the terms of our Convertible Preferred Stock, our ability to raise capital on attractive terms, or at all, significant fluctuations in the value of our Common Stock, among others. See the following Risk Factors "*-Our Common Stock may be delisted from Nasdaq, which could significantly adversely affect us, our business, and the value and liquidity of our Common Stock;" "-Actions of activist stockholders could be disruptive and costly, and the possibility that activist stockholders may seek changes that conflict with our strategic direction could cause uncertainty about the strategic direction of our business;" "-We have limited capital and expect to need to raise additional capital in the near future;*" and "-*We are highly leveraged, and our contractual obligations may limit our operational flexibility and cash flow available to invest in the ongoing needs of our business or otherwise adversely affect our results of operations" for more information*.

Our failure to timely file certain periodic reports with the SEC and our prior restatements have subjected us to, and may in the future, subject us to further, stockholder litigation or governmental or regulatory investigations. For example, as further described “Note 9 – Commitments and Contingencies - SEC Subpoena” to our unaudited consolidated financial statements contained in this Annual Report on Form 10-K, on February 16, 2024, the Chicago Regional Office of the SEC issued a subpoena to the Company seeking documents and information concerning the Restatement. Also, as further described “Note 12- Subsequent Events-Class Action Complaint” to our unaudited consolidated financial statements contained in this Annual Report on Form 10-K, on July 29, 2024, shareholder David Carew filed a putative class action complaint on behalf of our stockholders in the United States District Court of Minnesota, captioned Carew v. Lifecore Biomedical, Inc., et. al., No. 0:24-cv-03028 (D. Minn. 2024), against us and certain of our current and prior named executive officers (the “Defendants”). The complaint generally alleges that statements made to our shareholders between October 7, 2020 and March 19, 2024 regarding our financial results, internal controls, remediation efforts, periodic reporting, and financial prospects were false and misleading in violation of Section 10(b) of the Exchange Act, and that the individual defendants are liable for such statements because they are controlling persons under Section 20(a) of the Exchange Act. The complaint seeks compensatory damages, court costs, and attorneys’ fees. In addition, in March 2024, one of our stockholders, 22NW, LP (“22NW”), threatened to bring claims against us relating to its acquisition of economic interests in the Company, including its investment in the Convertible Preferred Stock. We have incurred, and may be required in future to incur further, significant legal fees and other expenses related to this threatened litigation by 22NW, the Carew securities class action lawsuit, and the SEC investigation. In addition, any adverse determination in any of these matters could expose us to significant liabilities, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We also may fail to be timely on our future filings, which, in addition to the risks and consequences described above, may create further harm to us. For example, as further described in “Note 2-Convertible Preferred Stock-Registration Rights Agreement” to our unaudited condensed consolidated financial statements contained in this Annual Report on Form 10-K, we have been incurring penalty fees owed to holders of our Convertible Preferred Stock under the Registration Rights Agreement as a result of our failure to maintain effectiveness of the registration statement related to the registration of the shares of Common Stock issuable upon the conversion of the Convertible Preferred Stock, and we expect to continue to incur those fees unless or until we are able to become current on our periodic reports, and are thus able to request effectiveness for the registration statement. In addition, the holders of Convertible Preferred Stock may raise additional claims resulting from the Company’s inability to timely and accurately report its financial information, which could cause further harm to the Company and its stockholders, all of which could materially and adversely affect to our business, our financial condition, results of operations and cash flows.

A significant portion of our revenue has been concentrated on a few large customers, including Alcon, one of our primary lenders. Cancellations or delays of orders by our customers may adversely affect our business and the sophistication and buying power of our customers could have a negative impact on profits.

During the fiscal year ended May 26, 2024, the Company had sales concentrations of 10% or greater from two customers within the Lifecore segment, including Alcon, which is also one of our primary lenders. We expect that, for the foreseeable future, a limited number of customers may continue to account for a substantial portion of our revenues. We may experience changes in the composition of our customer base as we have experienced in the past. The reduction, delay or cancellation of orders from one or more major customers for any reason or the loss of one or more of our major customers, whether through competition, consolidation, or otherwise, could materially and adversely affect our business, operating results, and financial condition. In addition, since some of the products processed by Lifecore are sole sourced to customers, our operating results could be adversely affected if one or more of our major customers were to develop other sources of supply. Our current customers may not continue to place orders, orders by existing customers may be canceled or may not continue at the levels of previous periods, or we may not be able to obtain orders from new customers.

Actions of activist stockholders could be disruptive and costly, and the possibility that activist stockholders may seek changes that conflict with our strategic direction could cause uncertainty about the strategic direction of our business.

In June 2024, we entered into cooperation agreements with various existing stockholders of the Company, including 22NW, who had previously submitted a nomination proposal to elect six directors to the Board and to hold a special meeting to address certain stockholder proposals, pursuant to which we agreed to the appointment of certain Board observers and Board members and other changes to the composition and structure of the Board and its committees, in return for certain customary confidentiality and standstill provisions. The Company also previously entered into similar arrangements with Legion Partners and Wynnefield Capital. Each of 22NW, Legion Partners and Wynnefield Capital (and their respective affiliates) continue to beneficially own significant percentages of the Company’s Common Stock, including beneficially owning Convertible Preferred Stock. Although the cooperation agreements contained standstill provisions with respect to customary governance-related activism, it did not contain a release from litigation claims, and thus 22NW or other investors remain able to bring such claims against the Company. These negotiations resulted in substantial costs for us, and future activism may similarly create substantial costs for us in the future.

Activist investors may attempt to effect changes in our strategic direction and how we are governed, or to acquire control over us. Some investors seek to increase short-term stockholder value by advocating corporate actions, such as financial restructuring, increased borrowing, special dividends, stock repurchases, or even sales of assets or the entire company. In addition, holders of Convertible Preferred Stock may have interests that are different from, or may conflict with, those of other stockholders. While we welcome varying opinions from all stockholders, activist campaigns that contest or conflict with our strategic direction could have an adverse effect on our financial condition, results of operations and cash flows, as responding to proxy contests and other actions by activist stockholders can disrupt our operations, be costly and time-consuming, and divert the attention of our Board and senior management from the pursuit of business strategies.

In addition, perceived uncertainties as to our future direction as a result of changes to the composition of our Board may lead to the perception of a change in the direction of the business, instability or lack of continuity, which may be exploited by our competitors, may cause concern to our current or potential customers, may result in the loss of potential business opportunities and may make it more difficult to attract and retain qualified personnel and business partners. These types of actions could cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

Our sale of some products may expose us to product liability claims.

The testing, manufacturing, marketing, and sale of the products we develop involve an inherent risk of allegations of product liability. If any of our products are determined or alleged to be contaminated or defective or to have caused an illness, injury or harmful accident to an end-customer, we could incur substantial costs in responding to complaints or litigation regarding our products and our product brand image could be materially damaged. Such events may have a material adverse effect on our business, operating results and financial condition. In addition, we may be required to participate in product recalls or we may voluntarily initiate a recall as a result of various industry or business practices or the need to maintain good customer relationships.

Although we have taken and intend to continue to take what we consider to be appropriate precautions to minimize exposure to product liability claims, we may not be able to avoid significant liability. We currently maintain product liability insurance. While we think the coverage and limits are consistent with industry standards, our coverage may not be adequate or may not continue to be available at an acceptable cost, if at all. A product liability claim, product recall or other claim with respect to uninsured liabilities or in excess of insured liabilities could have a material adverse effect on our business, operating results and financial condition.

We are subject to increasing competition in the marketplace.

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

If we are unable to secure contract manufacturers with capabilities to produce the products that we require, as our CDMO services are highly complex, our failure to provide quality and timely services to our CDMO customers could adversely impact our business.

The CDMO services we offer can be highly complex, due in part to strict regulatory requirements and the inherent complexity of the services provided. A failure of our quality control systems in our facilities could cause problems in connection with facility operations for a variety of reasons, including equipment malfunction, viral contamination, failure to follow specific manufacturing instructions, protocols and standard operating procedures, problems with raw materials or environmental factors. Such issues could affect production of a single manufacturing run or manufacturing campaigns, requiring the destruction of products, or could halt manufacturing operations altogether. In addition, any failure to meet required quality standards may result in our failure to timely deliver products to our customers which, in turn, could damage our reputation for quality and service. Any such incident could, among other things, lead to increased costs, lost revenue, reimbursement to customers for lost product, damage to and possibly termination of customer relationships, time and expense spent investigating and remediating the cause and, depending on the cause, similar losses with respect to other manufacturing runs. In addition, such issues could subject us to litigation, the cost of which could be significant.

We may be adversely impacted by the terms of our refinancing transactions with Alcon and by Alcon's concentrated relationship with us as a significant customer of ours and as our lender.

As described elsewhere in this Annual Report on Form 10-K, in May 2023, we entered into Refinancing Transactions with Alcon, a significant customer of the Company, pursuant to which Alcon agreed to become the Company's lender under the New Term Loan Credit Facility. On May 3, 2023, the Company also entered into the Alcon Supply Agreement with Alcon, which amended and restated certain existing supply agreements entered into between the Company and Alcon related to the Company's manufacture and supply of HA for Alcon, which significantly expanded the anticipated commercial relationship between the Company and Alcon. As publicly disclosed, we also have other commercial arrangements with Alcon. As a result of these transactions, the Company may be subject to risks related to the nature and significance of this relationship. For example, given the increased scope of the customer relationship and the relative increased customer concentration, the Company's revenues and operational results may become more reliant on the success and health of that relationship, including on Alcon's continued ability and desire to use the Company for the manufacture and supply of HA, and give them greater influence over the Company's operations generally.

Additionally, Alcon has not traditionally acted as a lender, and, as a result, the Company may be subject to risks related to the unique nature of the relationship between the Company and Alcon, including the fact that Alcon may not have the same motivations, incentives and practices as a traditional lender. For example, pursuant to the terms of the Term Loan Credit Facility, the Company's material uncured violation of the Alcon Supply Agreement constitutes an event of default under the Term Loan Credit Facility. Similarly, if Alcon were to foreclose on the assets owned under the Equipment Sale and Leaseback Agreement and prevent us from use of those assets, our ability to service other customers would be severely hindered. Any of those effects could have a material adverse effect on the Company's business, prospects, financial condition, results of operations, and cash flows.

Our operations are subject to regulations that directly impact our business.

Our products and operations are subject to governmental regulation in the United States and foreign countries. The manufacture of our products is subject to detailed standards for product development, manufacturing controls, ongoing quality monitoring and analysis, and periodic inspection by regulatory authorities. We may not be able to obtain necessary regulatory approvals on a timely basis or at all. Delays in receipt of or failure to receive approvals or loss of previously received approvals would have a material adverse effect on our business, financial condition and results of operations. Although we have no reason to believe that we will not be able to comply with all applicable regulations regarding the manufacture and sale of our products and polymer materials, regulations are always subject to change and depend heavily on administrative interpretations and the country in which the products are sold. Future changes in regulations or interpretations relating to matters such as safe working conditions, laboratory and manufacturing practices, produce safety, environmental controls, and disposal of hazardous or potentially hazardous substances may adversely affect our business.

Failure to comply with the applicable regulatory requirements can, among other things, result in:

- the issuance of adverse inspectional observations,
- Warning or Courtesy Letters,
- import refusals,
- fines, injunctions, civil penalties, and facility suspensions,
- withdrawal of regulatory approvals or registrations,
- product recalls and product seizures, including cessation of manufacturing and sales,
- operating restrictions, and
- criminal prosecution

Compliance with foreign, federal, state, and local laws and regulations is costly and time-consuming. We may be required to incur significant costs to comply with the laws and regulations in the future which may have a material adverse effect on our business, operating results and financial condition.

Lifecore's existing products and the products that Lifecore is developing for its customers are considered to be medical devices, drug products, or combination products, and therefore, require clearance or approval by the FDA before commercial sales can be made in the United States. The products also require the approval of foreign government agencies before sales may be made in many other countries. The process of obtaining these clearances or approvals varies according to the nature and use of the product. It can involve lengthy and detailed safety and efficacy data, including clinical studies, as well as extensive site inspections and lengthy regulatory agency reviews. There can be no assurance that any of the clinical studies utilizing product produced by Lifecore for its customers will be authorized to proceed, or if authorized will show safety or effectiveness; that any of the products that Lifecore is producing for its customers that require FDA clearance or approval will obtain such clearance or approval on a timely basis, on terms acceptable to the sponsor company for the purpose of actually marketing the products, or at all; or that following any such clearance or approval previously unknown problems will not result in restrictions on the marketing of the products or withdrawal of clearance or approval.

In addition, most of the existing products being sold by Lifecore and its customers are subject to continued regulation by the FDA, various state agencies and foreign regulatory agencies, which regulate the design, nonclinical and clinical research studies, manufacturing, labeling, distribution, post-marketing product modifications, advertising, promotion, import, export, adverse event and other reporting, and record keeping procedures for such products. Aseptic processing and shared equipment manufacturing require specific quality controls. If we fail to achieve and maintain these controls, we may have to recall product, or may have to reduce or suspend production while we address any deficiencies. Marketing clearances or approvals by regulatory agencies can be withdrawn due to failure to comply with regulatory standards or the occurrence of unforeseen problems following initial clearance or approval. These agencies can also limit or prevent the manufacture or distribution of Lifecore's products or change or increase the regulatory requirements applicable to such products. A determination that Lifecore is in violation of such regulations could lead to the issuance of adverse inspectional observations, a warning letter, imposition of civil penalties, including fines, product recalls or product seizures, preclusion of product import or export, a hold or delay in pending product approvals, withdrawal of marketing authorizations, injunctions against product manufacture and distribution, and, in extreme cases, criminal sanctions.

Federal, state and local regulations impose various environmental controls on the use, storage, discharge or disposal of toxic, volatile or otherwise hazardous chemicals and gases used in some of our manufacturing processes. Our failure to control the use of, or to restrict adequately the discharge of, hazardous substances under present or future regulations could subject us to substantial liability, cause us to clean up and incur remediation expenses, or cause our manufacturing operations to be suspended. In addition, changes in environmental regulations may impose the need for additional capital equipment or other requirements.

Our stockholder value creation program may not have the anticipated results we intended, expose us to additional restructuring costs and operational risks, and may be negatively perceived in the markets.

Over the past few years, we implemented our previously announced stockholder value creation program, Project SWIFT, which was designed to strategically realign our business to focus on its strategic assets and redesign the organization, including the divestiture of substantially all of our Curation Foods business and assets and a structuring of the overall business. We are still in the process of integrating these changes, and have experienced challenges in connection therewith, including additional restructuring costs, unexpected operational challenges, including with respect to financial reporting as described elsewhere in this Annual Report on Form 10-K, and similar or other issues may arise in the future. In addition, we may not be able to realize the expected benefits from such realignment and restructuring plans or other similar restructurings on the anticipated timing, or at all. The implementation of our restructuring efforts, including the potential reduction of our facilities and workforce, may not improve our operational and cost structure or result in greater efficiency of our organization; and we may not be able to support sustainable revenue growth and profitability following such restructurings.

We may not be able to achieve acceptance of our new products in the marketplace.

Our success in generating significant sales of our products depends in part on our ability and that of our partners and licensees to achieve market acceptance of our new products and technology. The extent to which, and rate at which, we achieve market acceptance, including customer preferences and trends, and penetration of our current and future products is a function of many variables including, but not limited to price, safety, efficacy, reliability, conversion costs, regulatory approvals, marketing and sales efforts, and general economic conditions affecting purchasing patterns.

We may not be able to develop and introduce new products and technologies in a timely manner or new products and technologies may not gain market acceptance. We and our partners/customers are in the early stage of product commercialization of certain HA-based products and non-HA products. We expect that our future growth will depend in large part on our and our partners'/customers' ability to develop and market new products in our target markets and in new markets. Our failure to develop new products or the failure of our new products to achieve market acceptance would have a material adverse effect on our business, results of operations and financial condition.

We have a concentration of manufacturing and may have to depend on third parties to manufacture our products.

We have a limited number of manufacturing facilities, all of which use specialized manufacturing equipment to operate our business. Any disruptions in our primary manufacturing operations would reduce our ability to sell our products and would have a material adverse effect on our financial results and create significant additional costs and inefficiencies if we were required to replace such facilities. Additionally, we may need to consider seeking collaborative arrangements with other companies to manufacture our products. If we become dependent upon third parties for the manufacture of our products, our profit margins and our ability to develop and deliver those products on a timely basis may be adversely affected. In that event, additional regulatory inspections or approvals may be required, and additional quality control measures would need to be implemented. Failures by third parties may impair our ability to deliver products on a timely basis and impair our competitive position. We may not be able to continue to successfully operate our manufacturing operations at acceptable costs, with acceptable yields, and retain adequately trained personnel.

Potential indemnification obligations related to divestitures made in connection with the sale transactions related to Project SWIFT may have a material adverse effect on our business, financial condition and results of operations.

The transaction documents related to the Eat Smart Disposition, the BreatheWay Disposition, the Yucatan Disposition, and the O Olive Sale provide for, among other things, our retention of certain historical known liabilities related to the Curation Foods business, and certain indemnification obligations designed to make us potentially financially responsible for certain breaches in any of our representations or warranties or covenants, and certain other matters pursuant to such agreements. Pursuant to these terms, we have agreed remain responsible for certain liabilities notwithstanding these sales, including the matters described in “Legal Proceedings” and certain contractual obligations, which we expect will result in future expenses and costs to the Company. In addition, we may be subject to unforeseen or unanticipated liabilities, which may be material and which may have a material adverse effect on our business, financial condition and results of operations.

Our dependence on single-source suppliers and service providers may cause disruption in our operations should any supplier fail to deliver materials.

Several of the raw materials we use to manufacture our products are currently purchased from a single source, including raw materials for our HA products. Any interruption of our relationship with single-source suppliers or service providers could delay product shipments and materially harm our business. We may experience difficulty acquiring materials or services for the manufacture of our products or we may not be able to obtain substitute vendors on a timely basis or at all. In addition, we may not be able to procure comparable materials at similar prices and terms within a reasonable time, if at all, all of which could materially harm our business.

Our profitability is dependent upon our ability to obtain appropriate pricing for our products and to control our cost structure.

Our profitability and success depends on our ability to obtain appropriate pricing for our products and services. In many cases, our contractual arrangements with customers establish pricing terms and mechanics for price increases that will govern the relationship for long periods of time (including, in certain cases, up to several years), and therefore well in advance of our delivery of the products and services. Accordingly, our profitability is heavily reliant on accurately predicting our costs, which rely upon assumptions and estimates that may not ultimately be correct. In addition, these pricing arrangements subject us to risks arising from unanticipated increases in our cost structure, including with respect to raw material and labor costs, facility and equipment costs, unanticipated inefficiencies, product loss, or shipping and storage costs. Competition in our industry can also put downward pressure on pricing, which, in turn, can decrease our margins and increase the pressure placed on our ability to accurately predict our costs.

Our attempts to offset increased costs through pricing actions for our products and services may not be sufficient or successful, particularly in light of the limitations created by our existing arrangements and competitive pressures. In addition, our efforts to constrain the cost of our operations may not be effective, or may be inadequate to offset pricing pressures or any unanticipated increases in costs. If we are unable to obtain adequate pricing for our products and services, our profitability, results of operations and financial position could be materially adversely affected.

We depend on our infrastructure to have sufficient capacity to handle our on-going production needs.

If our machinery or facilities are damaged or impaired due to natural disasters or mechanical failure, or we lose members of our workforce such that our workforce falls below the levels needed to maintain our business, we may not be able to operate at a sufficient capacity to meet our production needs. This could have a material adverse effect on our business, which could impact our results of operations and our financial condition.

We depend on strategic partners and licenses for future development.

Our strategy for development, clinical and field testing, manufacture, commercialization and marketing for some of our current and future products includes entering into various collaborations with corporate partners, licensees, and others. We are dependent on our corporate partners to develop, test, manufacture and/or market some of our products. Although we believe that our partners in these collaborations have an economic motivation to succeed in performing their contractual responsibilities, the amount and timing of resources to be devoted to these activities are not within our control. Our partners may not perform their obligations as expected or we may not derive any additional revenue from the arrangements. Our partners may not pay any additional option or license fees to us or may not develop, market or pay any royalty fees related to products under such agreements. Moreover, some of the collaborative agreements provide that they may be terminated at the discretion of the corporate partner, and some of the collaborative agreements provide for termination under other circumstances. Our partners may pursue existing or alternative technologies in preference to our technology. Furthermore, we may not be able to negotiate additional collaborative arrangements in the future on acceptable terms, if at all, and our collaborative arrangements may not be successful.

Any new business acquisition w***ill involve uncertainty relating to integration.***

We have acquired other businesses in the past and may make additional acquisitions in the future. The successful integration of new business acquisitions may require substantial effort from the Company’s management. The diversion of the attention of management and any difficulties encountered in the transition process could have a material adverse effect on the Company’s ability to realize the anticipated benefits of the acquisitions. The successful combination of new businesses also requires coordination of research and development activities, manufacturing, sales and marketing efforts. In addition, the process of combining organizations located in different geographic regions could cause the interruption of, or a loss of momentum in, the Company’s activities. There can be no assurance that the Company will be able to retain key management, technical, sales and customer support personnel, or that the Company will realize the anticipated benefits of any acquisitions, and the failure to do so would have a material adverse effect on the Company’s business, results of operations and financial condition.

Risks Related to Ownership of Our Common Stock

Our future operating results are likely to fluctuate, which may cause our stock price to decline.

In the past, our results of operations have fluctuated significantly from quarter to quarter and are expected to continue to fluctuate in the future. Lifecore can be affected by the timing of orders from its relatively small customer base and the timing of the shipment of those orders. Our earnings may also fluctuate based on our ability to collect accounts receivable from customers. Other factors that affect our operations include:

- our ability to obtain an adequate supply of labor;
- the availability and quantity of our supplies;
- the effectiveness of worldwide distribution systems;
- total worldwide industry volumes;
- the timing of consumer demand; and
- foreign importation restrictions and foreign political risks.

Our stock price may fluctuate in response to various conditions, many of which are beyond our control.

The market price of our Common Stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including the following:

- technological innovations applicable to our products,
- pandemics, epidemics and other natural disasters, including the COVID-19 pandemic,
- our attainment of (or failure to attain) milestones in the commercialization of our technology,
- our development of new products or the development of new products by our competitors,
- new patents or changes in existing patents applicable to our products,

- our acquisition of new businesses or the sale or disposal of a part of our businesses,
- development of new collaborative arrangements by us, our competitors, or other parties,
- changes in government regulations, interpretation, or enforcement applicable to our business,
- changes in investor perception of our business,
- fluctuations in our operating results, and
- changes in the general market conditions in our industry.

Fluctuations in our quarterly results may, particularly if unforeseen, cause us to miss projections which might result in analysts or investors changing their valuation of our stock.

Our Convertible Preferred Stock has rights, preferences, and privileges that are not held by, and are preferential to, the rights of holders of our Common Stock.

We have issued Convertible Preferred Stock, which have rights, preferences and privileges that are not held by, and are preferential to, the Company's Common Stock, including with respect to dividends, distributions and payments on liquidation, winding up and dissolution, which could adversely impact the rights of the holders of the Company's Common Stock. In addition, subject to the terms of the Certificate of Designations, the holders of Convertible Preferred Stock are entitled to designate two members of the Board, to vote on an as-converted basis with the Company's Common Stock, and to separate consent rights over certain matters. These rights, combined with the fact that ownership of the Convertible Preferred Stock is highly concentrated, provide the holders of the Convertible Preferred Stock with significant influence over the Company. This influence may increase over time, as the Convertible Preferred Stock entitles the holders thereof to dividends that are paid-in-kind ("PIK"), which increases the holders' ownership of Convertible Preferred Stock, and thus, beneficial ownership of the Company, subject to the limitations set forth in the agreements governing the Convertible Preferred Stock. The holders of the Convertible Preferred Stock may have interests that are different from those of the holders of Common Stock, and could adversely impact the Company's ability to effectuate its strategic initiatives and operate its business. For example, see "-*Actions of activist stockholders could be disruptive and costly, and the possibility that activist stockholders may seek changes that conflict with our strategic direction could cause uncertainty about the strategic direction of our business*" and "-*Our failure to timely file certain periodic reports with the SEC and our prior restatements have had, and may in the future have further, material adverse consequences to our business, our financial condition, results of operations and our cash flows.*"

In addition, the conversion price of the Convertible Preferred Stock may be adjusted in connection with certain dilutive events, including in the event of subsequent equity offerings at a price below the current conversion price. These rights could adversely impact the Company's access to equity capital, and otherwise compound the dilutive effects of future equity raises by the Company. See "-We have limited capital and will need to raise additional capital in the near future."

The Board may issue additional Convertible Preferred Stock in the future, or could authorize the issuance of new securities with priority as to dividends, distributions and payments on liquidation, winding up and dissolution over the rights of the holders of our Common Stock, all of which could further enhance or expand the risks described above.

We have never paid any dividends on our Common Stock.

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

Our corporate organizational documents and Delaware law have anti-takeover provisions that may inhibit or prohibit a takeover of us and the replacement or removal of our management.

The anti-takeover provisions under Delaware law, as well as the provisions contained in our corporate organizational documents, may make an acquisition of us more difficult. For example:

- our certificate of incorporation includes a provision authorizing our Board of Directors to issue blank check preferred stock without stockholder approval, which, if issued, would increase the number of outstanding shares of our capital stock and could make it more difficult for a stockholder to acquire us;
- our certificate of incorporation limits the number of directors that may serve on the Board of Directors without the majority approval of all of the outstanding shares of our Common Stock;

- our amended and restated bylaws require advance notice of stockholder proposals and director nominations;
- our Board of Directors has the right to implement additional anti-takeover protections in the future, including stockholder rights plans and other amendments to our organizational documents, without stockholder approval; and
- Section 203 of the Delaware General Corporation Law may prevent large stockholders from completing a merger or acquisition of us.

These provisions may prevent a merger or acquisition of us which could limit the price investors would pay for our Common Stock in the future.

Our business and operations could be negatively affected if it becomes subject to any securities litigation or stockholder activism, which could cause us to incur significant expense, hinder execution of business and growth strategy and impact its stock price.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Stockholder activism, which could take many forms or arise in a variety of situations, has been increasing recently. Volatility in the stock price of our Common Stock or other reasons may in the future cause it to become the target of securities litigation or stockholder activism. Securities litigation and stockholder activism, including potential proxy contests, could result in substantial costs and divert management's and Board's attention and resources from our business. Additionally, such securities litigation and stockholder activism could give rise to perceived uncertainties as to our future, adversely affect its relationships with service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant legal fees and other expenses related to any securities litigation and activist stockholder matters. Further, its stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation and stockholder activism.

Our Common Stock may be delisted from Nasdaq, which could significantly adversely affect us, our business, and the value and liquidity of our Common Stock.

Our Common Stock is currently listed on Nasdaq. As previously disclosed, on February 13, 2024, we received a Staff Delisting Determination (the "Staff Determination") from the Listing Qualifications Department of Nasdaq notifying us that Nasdaq has initiated a process which could result in the delisting of our Common Stock from Nasdaq as a result of our failure to comply with Nasdaq Listing Rule 5250(c)(1), which requires listed companies to timely file all required periodic financial reports with the SEC. We have appealed the Staff Determination, and, on April 16, 2024, we appeared for a hearing before the Nasdaq Hearings Panel (the "Panel"), in which we requested a further stay of any suspension or delisting action to enable us to regain compliance with the Listing Rule. The Panel has not yet issued a final decision. In addition, on June 3, 2024, we received a notice from Nasdaq indicating that, because we had not yet held our annual meeting of stockholders (the "2023 Annual Meeting") within twelve months of our fiscal year end, the Company is not in compliance with the requirements for continued listing under Nasdaq Listing Rule 5620.

On August 9, 2024, we made the late filing of our Quarterly Reports on Form 10-Q for the periods ending August 27, 2023, November 26, 2023, and February 25, 2024. Additionally, on August 15, 2024, we held the 2023 Annual Meeting and regained compliance with Nasdaq Listing Rule 5620. With our filing of this Annual Report on Form 10-K, we have regained compliance with Nasdaq Listing Rule 5250(c)(1). However, based on our history of noncompliance with the Nasdaq Listing Rules related to filing our periodic reports (as has been previously disclosed), we can provide no assurances that Nasdaq will not proceed with the process of delisting our Common Stock if we fail to remain in compliance with Nadaq's Listing Rules. If Nasdaq does proceed with the process of delisting our Common Stock, pursuant to the Nasdaq Listing Rules, we understand that Nasdaq would promptly halt trading of our Common Stock, and, absent any permitted appeal, would submit an application on Form 25 to the SEC to delist our Common Stock. Pursuant to the Nasdaq Listing Rules, we understand that we would be entitled to appeal the determination to the Nasdaq Listings Council for up to 15 calendar days after the determination, but such appeal would not operate as a stay of the determination.

There can be no assurance as to whether the Company will remain compliant with the Nasdaq Listing Rules. A delisting of our Common Stock from Nasdaq (whether or not our Common Stock is subsequently listed on any of the marketplaces of the OTC Markets Group (the "OTC Markets") thereafter) could have significant adverse impacts on our business, financial condition, results of operations and cash flows by, among other things: reducing the liquidity, public float and market price of our Common Stock; reducing the number of investors, including institutional investors, willing to hold or acquire our Common Stock, which could negatively impact our ability to raise equity; decreasing the amount of news and analyst coverage relating to us; limiting our ability to issue additional securities, obtain additional financing or pursue strategic restructuring, refinancing or other transactions; and impacting our reputation and, as a consequence, our ability to attract new business. In addition, the delisting of our Common Stock from Nasdaq could constitute a breach of many of our existing material arrangements (whether or not our Common Stock is subsequently listed on any of the OTC Markets), including the terms of our credit facilities, the terms of our Convertible Preferred Stock and related Registration Rights Agreement. If a delisting of our Common Stock were to cause us to violate our obligations under our credit facilities, such occurrence could trigger an event of default, which could have significant adverse impacts on our business, financial condition, results of operations, and cash flows.

If our Common Stock were to be delisted from Nasdaq, we intend to take actions to apply for listing the Company's Common Stock on one of the OTC Markets. However, we understand that to be eligible for quotation on certain of the OTC Market, issuers must remain current in their filings with the SEC, and we cannot provide assurances as to when that would occur, or if it will occur at all. In addition, even if our Common Stock is listed on the OTC Markets, the OTC Markets are generally regarded as a less efficient trading market than Nasdaq, and being listed on the OTC Markets may not resolve any breaches that may arise under our existing material arrangements, and thus many of the same risks described above would still apply.

General Risks

Changes to U.S. trade policy, tariff and import/export regulations may have a material adverse effect on our business.

Changes in U.S. or international social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories or countries where we currently sell our products or conduct our business, as well as any negative sentiment toward the U.S. as a result of such changes, could adversely affect our business. For example, the previous U.S. presidential administration instituted or proposed changes in trade policies that include the negotiation or termination of trade agreements, the imposition of higher tariffs on imports into the U.S., economic sanctions on individuals, corporations or countries, and other government regulations affecting trade between the U.S. and other countries where we conduct our business.

As a result of such policy changes of the previous U.S. presidential administration and U.S. government proposals, there may be greater restrictions and economic disincentives on international trade. Tariffs and other changes in U.S. trade policy could trigger retaliatory actions by affected countries, and certain foreign governments have instituted or are considering imposing trade sanctions on certain U.S. goods. Such changes have the potential to adversely impact the U.S. economy or certain sectors thereof, our industry and the global demand for our products, and as a result, could have a material adverse effect on our business, financial condition and results of operations.

We may be exposed to employment-related claims and costs that could materially adversely affect our business.

We have been subject in the past, and may be in the future, to claims by employees based on allegations of discrimination, negligence, harassment, and inadvertent employment of undocumented workers or unlicensed personnel, and we may be subject to payment of workers' compensation claims and other similar claims. We have incurred and, in the future, could incur substantial costs and our management could spend a significant amount of time responding to such complaints or litigation regarding employee claims, which may have a material adverse effect on our business, operating results and financial condition. In addition, several recent decisions by the United States NLRB have found companies that use contract employees could be found to be "joint employers" with the staffing firm, which may increase our potential exposure for any such claims from contract employees.

We may be subject to unionization, work stoppages, slowdowns or increased labor costs.

None of our U.S. based employees are represented by a union. However, our employees have the right under the National Labor Relations Act to form or affiliate with a union. If some or all of our workforce were to become unionized and the terms of the collective bargaining agreement were significantly different from our current compensation arrangements, it could increase our costs and adversely impact our profitability. Moreover, participation in labor unions could put us at increased risk of labor strikes and disruption of our operations.

We are dependent on our key employees and if one or more of them were to leave, we could experience difficulties in replacing them, or effectively transitioning their replacements and our operating results could suffer.

The success of our business depends to a significant extent on the continued service and performance of a relatively small number of key senior management, technical, sales, and marketing personnel. The loss of any of our key personnel for an extended period may cause hardship for our business. In addition, competition for senior level personnel with knowledge and experience in our different lines of business is intense. If any of our key personnel were to leave, we would need to devote substantial resources and management attention to replacing them. As a result, management attention may be diverted from managing our business, and we may need to pay higher compensation to replace these employees.

Our reputation and business may be harmed if our computer network security or any of the databases containing our trade secrets, proprietary information or the personal information of our employees, or those of third parties, are compromised.

Cyberattacks or security breaches could compromise our confidential business information, cause a disruption in the Company's operations or harm our reputation. We maintain numerous information assets, including intellectual property, trade secrets, banking information and other sensitive information critical to the operation and success of our business on computer networks, and such information may be compromised in the event that the security of such networks is breached. We also maintain confidential information regarding our employees and job applicants, including personal identification information. The protection of employee and company data in the information technology systems we utilize (including those maintained by third-party providers) is critical. Despite the efforts by us to secure computer networks utilized for our business, security could be compromised, confidential information, such as Company information assets and personally identifiable employee information, could be misappropriated, or system disruptions could occur, and there can be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with or effective in protecting our systems and information.

In addition, cyberattacks on our customers or vendors could disrupt our ability to procure product from our vendors or our customers' ability to order our products, and may negatively impact our reputation. Any of these occurrences could disrupt our business, result in potential liability or reputational damage, or otherwise have an adverse effect on our financial results.

In addition, we may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyberattacks. Attacks may be targeted at us, our customers, or others who have entrusted us with information. Actual or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. Advances in computer capabilities, new technological discoveries or other developments may result in the technology used by us to protect sensitive Company data being breached or compromised. Furthermore, actual or anticipated cyberattacks or data breaches may cause significant disruptions to our network operations, which may impact our ability to deliver shipments or respond to customer needs in a timely or efficient manner.

Data and security breaches could also occur as a result of non-technical issues, including an intentional or inadvertent breach by our employees or by persons with whom we have commercial relationships that result in the unauthorized release of confidential information related to our business or personal information of our employees. Any compromise or breach of our computer network security could result in a violation of applicable privacy and other laws, costly investigations and litigation, and potential regulatory or other actions by governmental agencies. As a result of any of the foregoing, we could experience adverse publicity, the compromise of valuable information assets, loss of sales, the cost of remedial measures and/or significant expenditures to reimburse third parties for resulting damages, any of which could adversely impact our brand, our business and our results of operations.

We depend on our intellectual property, and we may be unable to adequately protect our intellectual property rights or may infringe intellectual property rights of others.

We may receive notices from third parties, including some of our competitors, claiming infringement by our products of their patent and other proprietary rights. Regardless of their merit, responding to any such claim could be time-consuming, result in costly litigation and require us to enter royalty and licensing agreements which may not be offered or available on terms acceptable to us. If a successful claim is made against us and we fail to develop or license a substitute technology, we could be required to alter our products or processes and our business, results of operations or financial position could be materially adversely affected. Our success depends in large part on our ability to obtain patents, maintain trade secret protection, and operate without infringing on the proprietary rights of third parties. Any pending patent applications we file may not be approved and we may not be able to develop additional proprietary products that are patentable. Any patents issued to us may not provide us with competitive advantages or may be challenged by third parties. Patents held by others may prevent the commercialization of products incorporating our technology. Furthermore, others may independently develop similar products, duplicate our products or design around our patents.

We have access to certain intellectual property and information of our customers and suppliers, and failure to protect that intellectual property or information could adversely affect our future growth and success.

We have access to sensitive intellectual property and confidential information of our customers and supplies, and rely on nondisclosure agreements, information technology security systems and other measures to protect certain customer and supplier information and intellectual property that we have in our possession or to which we have access. Our efforts to protect such intellectual property and proprietary rights may not be sufficient, which could subject us to judgments, penalties and significant litigation costs, reputational harm, or temporarily or permanently disrupt our sales and marketing of the affected products or services and could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

The global economy is experiencing continued volatility, which may have an adverse effect on our business.

In recent years, the U.S. and international economy and financial markets have experienced significant volatility due to uncertainties related to the availability of credit, energy prices, the COVID-19 pandemic, national elections and other political events, difficulties in the banking and financial services sectors, diminished market liquidity, and geopolitical conflicts. Ongoing volatility in the economy and financial markets could further lead to reduced demand for our products, which in turn, would reduce our revenues and adversely affect our business, financial condition and results of operations. In particular, volatility in the global markets have resulted in softer demand and more conservative purchasing decisions by customers, including a tendency toward lower-priced products, which could negatively impact our revenues, gross margins and results of operations. In addition to a reduction in sales, our profitability may decrease because we may not be able to reduce costs at the same rate as our sales decline. We cannot predict the ultimate severity or length of the current period of volatility, or the timing or severity of future economic or industry downturns.

Given the current uncertain economic environment, our customers, suppliers, and partners may have difficulties obtaining capital at adequate or historical levels to finance their ongoing business and operations, which could impair their ability to make timely payments to us. This may result in lower sales and/or inventory that may not be saleable or may result in bad debt expenses for us. A worsening of the economic environment or continued or increased volatility of the U.S. economy, including increased volatility in the credit markets, could adversely impact our customers' and vendors' ability or willingness to conduct business with us on the same terms or at the same levels as they have historically. Further, this economic volatility and uncertainty about future economic conditions makes it challenging for the Company to forecast its operating results, make business decisions, and identify the risks that may affect its business, sources and uses of cash, financial condition and results of operations.

Litigation costs and the outcome of litigation could have a material adverse effect on our business.

From time to time, we have been subject to, and may in the future be subject to, litigation claims regarding, but not limited to, employment matters, safety standards, product liability, security of customer and employee personal information, contractual relations with vendors, marketing and infringement of trademarks and other intellectual property rights, and compliance with laws. Litigation to defend ourselves against claims by third parties or enforcement actions by regulators, or to enforce any rights that we may have against third parties, has been and may continue to be necessary, which has resulted and in the future could result in substantial costs, penalties, limitations on our business and diversion of our resources, causing a material adverse effect on our business, financial condition, results of operations or cash flows.

Increasing attention to Environmental, Social, and Governance ("ESG") matters may impact our business, financial results or stock price.

Companies across all industries are facing increasing scrutiny from stakeholders related to their ESG practices and disclosures, including practices and disclosures related to climate change, diversity and inclusion and governance standards. Investor advocacy groups, certain institutional investors, lenders, investment funds and other influential investors are also increasingly focused on ESG practices and disclosures and in recent years have placed increasing importance on the implications and social cost of their investments. In addition, government organizations are enhancing or advancing legal and regulatory requirements specific to ESG matters. The heightened stakeholder focus on ESG issues related to our business requires the continuous monitoring of various and evolving laws, regulations, standards and expectations and the associated reporting requirements. A failure to adequately meet stakeholder expectations may result in noncompliance, the loss of business, reputational impacts, diluted market valuation, an inability to attract customers and an inability to attract and retain top talent. In addition, our adoption of certain standards or mandated compliance to certain requirements could necessitate additional investments that could have an adverse effect on our results of operations.

Item 1B. *Unresolved Staff Comments*

None.

Item 1C. *Cybersecurity*

Cybersecurity Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information. Our cybersecurity risk management program includes a cybersecurity incident response plan.

We design and assess our program based on the National Institute of Standards and Technology Cybersecurity Framework (the “NIST CSF”). This does not imply that we meet any particular technical standards, specifications, or requirements, only that we use the NIST CSF as a guide to help us identify, assess, and manage cybersecurity risks relevant to our business.

Our cybersecurity risk management program is integrated into our overall enterprise risk management program, and shares common methodologies, reporting channels and governance processes that apply across the enterprise risk management program to other legal, compliance, strategic, operational, and financial risk areas.

Our cybersecurity risk management program includes:

- risk assessments designed to help identify material cybersecurity risks to our critical systems, information, products, services, and our broader enterprise IT environment;
- development of a multi-year cybersecurity roadmap and prioritization rubric based on risk;
- a contracted third-party security team principally responsible for managing (1) our cybersecurity risk assessment processes, (2) our security controls, (3) our response to cybersecurity incidents and (4) actively monitoring for threats;
- the use of external service providers, where appropriate, to assess, test or otherwise assist with aspects of our security controls;
- cybersecurity awareness training of our employees, incident response personnel, and senior management;
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents; and
- a third-party risk management process for service providers, suppliers, and vendors.

We have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition.

Cybersecurity Governance

Our Board considers cybersecurity risk as part of its risk oversight function and has delegated to the Audit Committee (the “Committee”) oversight of cybersecurity and other information technology risks. The Committee oversees management’s implementation of our cybersecurity risk management program.

The Committee receives periodic reports from management on our cybersecurity risks. In addition, management updates the Committee, as necessary, regarding any material cybersecurity incidents, as well as any incidents with lesser impact potential.

The Committee reports to the full Board regarding its activities, including those related to cybersecurity. The full Board also receives briefings from management on our cyber risk management program. Board members receive presentations on cybersecurity topics from our Senior Vice President of Information Technology, internal security staff or external experts as part of the Board’s continuing education on topics that impact public companies.

Our management team, including the Senior Vice President of Information Technology, is responsible for assessing and managing our material risks from cybersecurity threats. The team has primary responsibility for our overall cybersecurity risk management program and supervises both our internal cybersecurity personnel and our retained external cybersecurity consultants. Our management team’s experience includes 25+ years of information management, governance and security controls for Fortune 500 organizations.

Our management team supervises efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal security personnel; threat intelligence and other information obtained from governmental, public or private sources, including external consultants engaged by us; and alerts and reports produced by security tools deployed in the IT environment.

Item 2. ***Properties***

As of May 26, 2024, the Company owned or leased the following principle physical properties:

Location	Ownership	Facilities
Chaska, MN	Owned	148,200 square feet of office, laboratory and manufacturing space
Chaska, MN	Leased	80,950 square feet of office, manufacturing and warehouse space
Chanhassen, MN	Leased	21,384 square feet of warehouse and office space

Leases for these leased facilities expire at various dates through the year 2033. All of our owned real property is subject to liens in favor of the lenders under our 2020 credit agreement, as amended, with BMO Harris Bank N.A. (“BMO”) as administrative agent.

The Company does not anticipate experiencing significant difficulty in retaining occupancy of any of our manufacturing, laboratory, or office facilities through lease renewals prior to expiration or through month-to-month occupancy, or in replacing them with equivalent facilities. We believe our existing facilities, both owned and leased, are in good condition and suitable for the conduct of our business.

Item 3. ***Legal Proceedings***

The information contained in “Part IV, Item 15. Note 9 - Commitments and Contingencies” included elsewhere in this Annual Report on Form 10-K is incorporated herein by reference.

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

Not applicable.

PART II

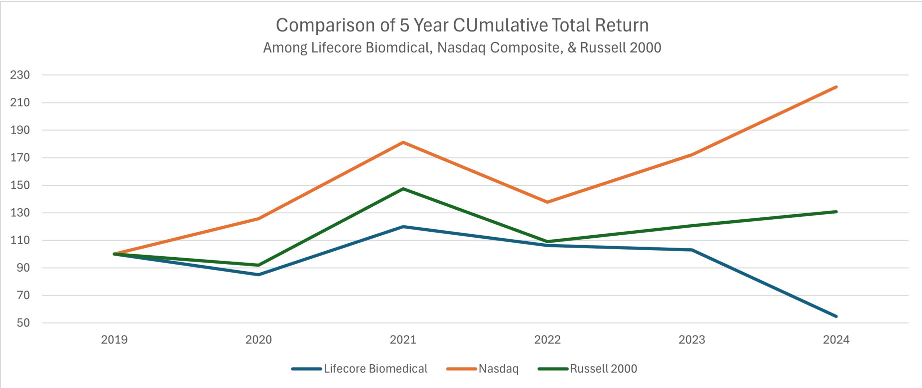
Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Market Information

The Common Stock is traded on the NASDAQ Global Select Market under the symbol "LFCR".

Performance graph

The following graph shows a comparison of cumulative total shareholder return, calculated on a dividend-reinvested basis, for (1) the Company's common stock, (2) the NASDAQ Composite and (3) the Russell 2000 Index, for the period from June 30, 2019 through June 30, 2024. The graph assumes the value of the investment in our common stock and each index was $100 on June 30, 2019 and that all dividends were reinvested. The graph plots the value of the initial $100 investment at annual intervals for the years shown. We have not paid any cash dividends and, therefore, the cumulative total return calculation for us is based solely upon stock price appreciation and not upon reinvestment of cash dividends. Historic stock price performance is not necessarily indicative of future stock price performance.



The graph is furnished and shall not be deemed "filed" with the SEC or subject to Section 18 of the Exchange Act, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Holders

As of August 23, 2024, there were approximately 46 holders of record of our Common Stock. Since certain holders are listed under their brokerage firm's names, the actual number of stockholders is higher.

Dividends

The Company has not paid any dividends on the Common Stock since its inception. The Company presently intends to retain all future earnings, if any, for its business and does not anticipate paying cash dividends on its Common Stock in the foreseeable future.

Recent Sales of Unregistered Equity Securities

During the year ended May 26, 2024 issued a restricted stock unit ("RSU") award with respect to 525,000 shares of its common stock and a performance stock unit ("PSU") award for up to 1,500,000 shares of its common stock to Paul Josephs under the Company's Equity Inducement Plan adopted on March 20, 2024 (the "Inducement Plan"). The RSU award and PSU award were granted in reliance upon the exemption from registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"). The securities have not been registered under the Securities Act, and may not be offered or sold without registration or an applicable exemption from registration requirements.

Item 6. ***[Reserved]***

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements contained in Part IV, Item 15 of this report. Except for the historical information contained herein, the matters discussed in this report are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. These forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Potential risks and uncertainties include, without limitation, those mentioned in this report and, in particular, the factors described in "Part I, Item 1A. Risk Factors". Please see "Cautionary Note About Forward-Looking Statements".

Corporate Overview

The Company is a fully integrated CDMO that offers highly differentiated capabilities in the development, fill and finish of complex sterile injectable pharmaceutical products in syringes and vials. As a leading manufacturer of premium, injectable grade HA in bulk form as well as formulated and filled syringes and vials for injectable products used in treating a broad spectrum of medical conditions and procedures. Lifecore uses its fermentation process and aseptic formulation and filling expertise to be a leader in the development of HA-based products for multiple applications and to take advantage of non-HA device and drug opportunities which leverage its expertise in manufacturing and aseptic syringe filling capabilities. Lifecore CDMO provides product development services to its partners for HA-based, as well as non-HA based, aseptically formulated and filled products. These services include activities such as technology development, material component changes, analytical method development, formulation development, pilot studies, stability studies, process validation and production of materials for clinical studies. The Company brings more than 40 years of expertise as a partner for global and emerging biopharmaceutical and biotechnology companies across multiple therapeutic categories to bring their innovations to market.

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

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

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

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

Maintain flexibility in product development and supply relationships:
Lifecore's vertically integrated development and manufacturing capabilities allow it to establish a variety of contractual relationships with global corporate partners. Lifecore's role in these relationships extends from supplying HA raw

materials to providing technology transfer and development services to manufacturing aseptically filled, finished sterile products, and assuming full supply chain responsibilities.

Deliver consistent quality:

Lifecore has built a world class quality and regulatory system that is demonstrated in its results, processes and customer relationships. With over 38 years of a superior track record with global regulatory bodies (FDA, EMA, ANVISA, etc.), Lifecore is the partner of choice for companies looking for proven experience in delivering QbD, cGMP compliance, and manufacturing excellence with pharmaceutical elegance and quality. Lifecore's world class quality and regulatory system and excellent track record with the global regulatory bodies ensure partners that they will safely bring innovative therapies to market.

Reportable Segments

The Company operates in one reportable segment: Lifecore, which is described in further detail below. This is based on the objectives of the business and how our CODM, the President and Chief Executive Officer, regularly reviews and manages the business, monitors operating performance and allocates resources.

Related Party Transactions

For a discussion of significant related party transactions, refer to "Part IV, Item 15. Note 1 - Organization, Basis of Presentation, and Summary of Significant Accounting Policies" elsewhere in this Annual Report on Form 10-K.

Results of Operations

A discussion of changes in our results of operations and cash flows from fiscal year 2023 to fiscal year 2022 has been omitted from this Annual Report on Form 10-K, but may be found in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended May 28, 2023, filed with the SEC on March 20, 2024, which is available free of charge on the SEC's website at www.sec.gov and at www.lifecore.com, by clicking "Investors" located at the top of the page. The content of any website referred to in this document is not incorporated by reference into this document.

Year Ended May 26, 2024 Compared to May 28, 2023

Revenues and Gross Profit:

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

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

(In thousands, except percentages)	Year Ended		Change	
	May 26, 2024	May 28, 2023	Amount	%
Total Revenues	$ 128,261	$ 103,269	$ 24,992	24%
Gross Profit	$ 41,850	$ 27,985	$ 13,865	50%

The increase in revenues for fiscal year 2024, compared to fiscal year 2023, was due to (i) a $20.2 million increase in CDMO revenues consisting of a $9.9 million increase related to the launch of a new commercial product and a $10.3 million increase primarily due to increased order volume from existing customers; and (ii) a $4.8 million increase in fermentation revenues due to increased order volume from existing customers.

The increase in gross profit for fiscal year 2024 compared to fiscal year 2023 was primarily due to increased revenues resulting in a favorable volume variance of $6.8 million and a favorable sales mix and adjustments to write down inventories to their net realizable value in the comparable periods driving a favorable rate variance of $7.1 million.

Gross profit margin percentage increased from 27.1% to 32.6%. The 553 basis points (“bps”) improvement is due to a 380 bps increase in CDMO gross profit margin percentage as a result of a favorable sales mix and increased customer pricing and a 189 bps increase primarily due to adjustments to write down inventories to their net realizable value in the comparable periods partially offset by a slight decrease of 16 bps in fermentation gross profit margin percentage.

Operating Expenses:

(In thousands, except percentages)	Year Ended		Change	
	May 26, 2024	May 28, 2023	Amount	%
Research and Development	$ 8,575	$ 8,736	$ (161)	(2)%
Selling, general and administrative	40,463	38,969	1,494	4%
Gain on sale of divested business	—	(2,108)	2,108	100%
Restructuring costs	1,656	4,184	(2,528)	(60)%
Total Operating Expenses	$ 50,694	$ 49,781	$ 913	2%

Research and Development (“R&D”)

R&D expenses consist primarily of product development and commercialization initiatives. R&D expenses are focused on new products and applications for HA-based and non-HA biomaterials.

The decrease in R&D expenses for fiscal year 2024 compared to fiscal year 2023 was not significant.

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

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

The increase in SG&A expenses for fiscal year 2024 compared to fiscal year 2023 was primarily due to increases in non-cash stock-based compensation expense due to the higher mix of restricted stock units (“RSUs”) grants over stock options of $2.6 million, a non-cash right-of-use impairment for the Santa Maria building (a divested business office) of $1.4 million, partially off-set by a reduction in consulting fees of $0.9 million incurred in completing the year-end audit.

Gain on sale of Divested Businesses

On June 2, 2022, the Company and Curation Foods entered into an asset purchase agreement and consummated the transactions contemplated thereby, pursuant to which Curation Foods sold all of its assets related to BreatheWay packaging technology business in exchange for an aggregate purchase price of $3.1 million. Upon the sale, the Company recorded a gain of $2.1 million.

Restructuring Costs

Beginning in fiscal year 2020, the Company announced a restructuring plan to drive enhanced profitability, focus the business on its strategic assets and redesign the organization to be the appropriate size to compete and thrive. This included a reduction in force, a reduction in leased office spaces and the sale of non-strategic assets. The Company recorded $1.7 million and $4.2 million during the years ended May 26, 2024 and May 28, 2023, respectively, related to the restructuring plan. Restructuring costs for the year ended May 26, 2024 decreased $2.5 million compared to the prior year period due as a result of the restructuring plan to divest the Curation Foods businesses being substantially complete. Refer to “Part IV, Item 15. Note 10 - Restructuring Costs” in the notes for more information.

Other Income (Expenses):

(In thousands, except percentages)	Year Ended		Change	
	May 26, 2024	May 28, 2023	Amount	%
Interest expense, net	$ (18,090)	$ (17,581)	$ (509)	3%
Transition services income	$ —	$ 349	$ (349)	(100)%
Loss on debt extinguishment	$ —	$ (23,741)	$ 23,741	(100)%
Other (expense) income, net	$ (3,052)	$ (1,159)	$ (1,893)	163%
Change in fair value of debt derivative liability, related party	$ 39,500	$ —	$ 39,500	100%
Provision for income tax (expense) benefit	$ (183)	$ (308)	$ 125	(41)%

Interest Expense, net

The decrease in Interest Expense, net for fiscal year 2024 compared to fiscal year 2023 was primarily a result of fluctuations in the principal balance under the Company’s revolving credit facility.

Transition Services Income

In fiscal year 2023, the Company earned $0.3 million of transition services income related to the BreatheWay Disposition. No such transition services income was present during fiscal year 2024.

Loss on Debt Extinguishment

The loss on debt extinguishment of $23.7 million in fiscal year 2023 was due to the New Term Loan Credit Facility with Alcon entered into in May 2023, including the $12.9 million prepayment fee to Goldman Sachs Specialty Lending Group, L.P. (“Goldman”), the prior lender, write-off unamortized deferred financing fees related to the Prior Term Loan Facility (defined below) of $7.6 million and third-party fees of $3.3 million. Refer to “Part IV, Item 15. Note 6 - Debt” for additional information.

Other (Expense) Income, net

Other (expense) income, net for fiscal year 2024 includes $3.3 million in monetary penalties related to Convertible Preferred Stock, partially offset by sub-lease rental income of $0.2 million.

Change in fair value of debt derivative liability, related party

The increase for fiscal year 2024 compared to fiscal year 2023, was due to a reduction in the fair market value of the debt derivative liability in the current period as a result of the Company’s Term Loan Credit Facility. The key inputs to the valuation models that were utilized to estimate the fair value of the debt derivative liability were (i) an estimated probability related to the timing of a change in control over the 12 months following the end of the fiscal period; (ii) the estimated probability related to an event of default of the Alcon Supply Agreement, as amended, over the 12 months following the end of the fiscal period; and (iii) a risk-adjusted discount rate. Beginning in the second quarter of fiscal year 2024 and continuing through the third quarter of fiscal year 2024, there were sequential declines in the change in control probabilities assumptions in connection with the Company’s review of the strategic alternatives initiative that significantly impacted the fair value of the debt derivative liability.

Income Tax (Provision) Benefit

The effective tax rate for fiscal year 2024 changed from a tax provision expense of 0.48% to a tax provision expense of 1.93% in comparison to fiscal year 2023. The decrease in the income tax expense for fiscal year 2024 was primarily due to a valuation allowance decrease of $5.8 million resulting from utilization of net operating loss deferred tax assets and by an increase in deferred tax liabilities for debt discount of $7.9 million. The decrease in the effective tax rate for fiscal year 2023 was primarily due to a significant valuation allowance increase and the impairment of Yucatan Foods, LLC (“Yucatan”) goodwill.

Non-GAAP Financial Information and Reconciliations

EBITDA and Consolidated adjusted EBITDA are non-GAAP financial measures. EBITDA from continuing operations represents net income (loss) from continuing operations before interest expense, interest income, income tax (benefit) expense, and depreciation and amortization expense. Adjusted EBITDA from continuing operations reflects adjustments to EBITDA from continuing operations to identify items that, in management's judgment, significantly affect the assessment of earnings results between periods. This information is provided in order to allow investors to make meaningful comparisons of the Company's earnings performance between periods and to view the Company's business from the same perspective as Company management. As the Company cannot predict the timing and amount of charges that include, but are not limited to, items such as costs associated with our reorganization, including associated divestitures, movement of headquarters, transactional impacts of these transactions, remaining costs associated with divested businesses and associated cost of third parties (collectively, "Reorganization Costs"), restructuring programs, mark-to-market adjustments on derivative contracts, non- interest financing costs, stock compensation, product launch and start-up costs and other items that may arise from time to time that would impact comparability, management does not consider these costs when evaluating the Company's performance, when making decisions regarding the allocation of resources, in determining incentive compensation, or in determining earnings estimates. EBITDA from continuing operations and adjusted EBITDA from continuing operations are performance measures commonly used by management to assess operating performance and incentive compensation, and the Company believes they are commonly reported and widely used by investors and other interested parties as a measure of a company's operating performance between periods.

The table below includes reconciliations of these non-GAAP financial measures to their respective most directly comparable financial measures calculated in accordance with U.S. Generally Accepted Accounting Principles ("GAAP").

(In thousands, except percentages)	Year Ended		
	May 26, 2024	May 28, 2023	May 29, 2022
Net income (loss)	$ 12,013	$ (99,563)	$ (116,715)
Interest Expense, net of interest income	18,090	17,581	15,470
Provision for income tax expense (benefit)	183	308	(5,211)
Depreciation and amortization on property and equipment	7,954	10,315	7,136
Total EBITDA	$ 38,240	$ (71,359)	$ (99,320)
Restructuring costs	1,656	4,184	8,359
Reorganization costs (1)	9,796	15,949	7,526
Change in fair value of debt derivative liability, related party	(39,500)	—	—
Financing fees (non-interest)	3,513	788	—
Contract cancellation and other costs	567	716	—
Loss on debt extinguishment	—	23,741	—
Start-up costs	1,684	—	—
Franchise tax equivalent to income tax	272	241	—
Stockholder activist settlement	459	—	—
Gain on sale of divested business	—	(2,108)	—
(Income) loss from discontinued operations, net of taxes	(2,682)	35,327	101,239
Stock-based Compensation	6,201	3,612	2,608
Total adjusted EBITDA - Consolidated	$ 20,206	$ 11,091	$ 20,412

(1) Reorganization costs mainly relate to activities in connection with the approved restructuring plan.

a. For fiscal year 2024, the Company incurred non-recurring charges primarily related to: (i) $4.1 million of incremental audit and consulting fees specifically related to the audit of the numerous non-standard transactions that occurred in fiscal year 2023 associated with the sale of the Yucatan and O Olive businesses, (ii) $2.1 million of costs associated with maintaining abandoned facilities (including the prior headquarters) after the sale of the businesses and incremental compensation expenses for reorganization of the business including costs associated with duplicative roles as the headquarters transitioned to Minnesota, (iii) $1.6 million litigation costs associated with the divested businesses, (iv) $1.2 million in fees for exploration of strategic opportunities to best position Lifecore as a standalone CDMO, and (v) $0.8 million for severance for the Company's former CEO.

b. For fiscal year 2023, the Company incurred non-recurring charges primarily related to: (i) $6.3 million for financial advisor and legal fees related to management of the prior term loan lenders, (ii) $6.4 million of incremental audit and consulting fees specifically related to the audit of the numerous non-standard transactions that occurred in fiscal year 2022 associated with the sale of the Eat Smart business, (iii) and $3.2 million for litigation costs associated with the divested businesses, costs associated with maintaining abandoned facilities (including the prior headquarters) after the sale of the Yucatan and O Olive businesses, and incremental compensation and operating expenses for reorganization of the business.

c. For fiscal year 2022, the Company incurred non-recurring charges primarily related to: (i) $4.6 million net Transaction Services Agreement ("TSA") costs that will not recur upon exit from the TSA associated with the divested Eat Smart business, (ii) $1.5 million incremental compensation expenses related to reorganization of the business including costs associated with duplicative roles as the headquarters transitioned to Minnesota and consulting fees associated with the employee programs put in place as part of the headquarters transition and sale of the Eat Smart business, and (iii) and $1.4 million for litigation costs associated with the divested businesses.

Liquidity and Capital Resources

As of May 26, 2024, the Company had cash and cash equivalents of $8.5 million, a net decrease of $10.6 million from $19.1 million at May 28, 2023. The Company believes that its cash from operations, along with existing cash and cash equivalents and availability under its line of credit will be sufficient to finance its operational and capital requirements for at least the next twelve months.

Cash Flows from Operating Activities

Net cash provided by operating activities during fiscal year 2024 was $0.2 million compared to $17.4 million of net cash used during fiscal year 2023.

The primary impact to net cash from operating activities during fiscal year 2024 were (1) $12.0 million of net income; (2) non-cash add backs of (i) $14.2 million on interest expense with a related party, (ii) $15.1 million of depreciation/amortization and stock-based compensation expense, and (iii) $1.4 million non-cash restructuring and impairment of assets charges; and (3) $3.8 million net increase in operating working capital. These were partially offset by a $39.5 million non-cash change in debt derivative liability with related party.

The primary factors for the $3.8 million overall net cash used related to operating working capital during fiscal year 2024 was (1) cash sources related to an $0.3 million increase in other accrued liabilities, (2) a $2.4 million decrease in prepaid expenses and other assets, and (3) a $1.4 million increase in accrued compensation, (4) a $0.9 million decrease in inventories, offset by (1) cash uses related to a $2.4 million increase in accounts receivable driven by timing of customer payments, (2) a decrease in accounts payable of $6.7 million related to the timing of payments, and (3) $0.1 million for a decrease in deferred revenue.

The primary uses of net cash in operating activities during fiscal year 2023 were (1) a $99.6 million net loss and (2) a $1.8 million net gain on the sales of BreatheWay and O Olive. These uses of cash were partially offset by (1) a $20.0 million net decrease in working capital, (2) $0.6 million non-cash restructuring and impairment of assets charges, (3) $16.8 million of depreciation/amortization and stock-based compensation expense, (4) $20.7 million loss on sale of Yucatan and (5) $23.7 million loss on early debt extinguishment.

The primary factors for the decrease in working capital during the fiscal year ended 2023 was a $10.8 million decrease in accounts receivable driven by sales decreases and timing of customer payments, and an increase in accounts payable of $16.0 million related to the increase in Lifecore inventory and timing of payments. These were partially offset by a decrease of $14.8 million in inventory driven by the increase in total inventory of Lifecore, which is in alignment with our expectations for production season, and a $4.5 million net decrease in accrued compensation driven by severance accruals.

Cash Flows from Investing Activities

Net cash used in investing activities during fiscal year 2024 was $17.9 million, due to the purchase of equipment to support the growth of the business in line with the planned capital project spending.

Net cash used in investing activities during fiscal year 2023 was $4.8 million, primarily due to $21.5 million of purchases of equipment to support the growth of the business, offset by $16.7 million of proceeds from the sale of divested business.

Cash Flows from Financing Activities

Net cash provided by financing activities during fiscal year 2024 was $7.5 million, primarily due to (1) $149.6 million net proceeds from revolving credit facility, and (2) $0.7 million proceeds from exercise of options, partially offset by (1) $0.6 million of principal payments on equipment financing, (2) $0.2 million payments for debt issuance costs, (3) $0.1 million principal payments on finance leases, and (4) $0.2 million of taxes paid by Company for employee stock plans.

Net cash provided by financing activities during fiscal year 2023 was $39.7 million, primarily due to (1) $0.0 million proceeds from long-term debt, (2) $38.1 million proceeds from sale of preferred stock and (3) $4.8 million proceeds from sale of Common Stock, partially offset by (1) $123.7 million of payments on long-term debt, (2) $31.5 million net draw down on the Company’s line of credit and (3) $6.1 million of payments for debt issuance costs.

Capital Expenditures

The Company incurred $17.9 million and $21.5 million of capital expenditures during fiscal years 2024 and 2023, respectively, which was primarily represented by facility expansions and purchased equipment to support the growth of the Lifecore business. The decrease in capital expenditures from fiscal year 2023 to 2024 was due to the planned decrease in capital project spending.

Contractual Obligations

The Company’s material contractual obligations for the next five years mainly relate to its debt and lease obligations.

The Company’s future capital requirements will depend on numerous factors, including the progress of its research and development programs; the continued development of marketing, sales and distribution capabilities; the ability of the Company to establish and maintain new licensing arrangements; the costs associated with employment-related claims; any decision to pursue additional acquisition opportunities; the timing and amount, if any, of payments received under licensing and research and development agreements; the costs involved in preparing, filing, prosecuting, defending, and enforcing intellectual property rights; the ability to comply with regulatory requirements; the emergence of competitive technology and market forces; the effectiveness of product commercialization activities and arrangements; and other factors. If the Company’s currently available funds, together with the internally generated cash flow from operations are not sufficient to satisfy its capital needs, the Company 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 the Company on favorable terms, if at all.

Debt

As of May 26, 2024 and May 28, 2023, the Company had $157.3 million and $142.5 million in borrowings outstanding under the Term Loan Credit Facility, at an effective annual interest rate of 22.5%.

As of May 26, 2024 and May 28, 2023, the Company had $19.7 million and $16.8 million in borrowings outstanding under the Revolving Credit Facility, at an effective annual interest rate of 8.35% and 12.16%, respectively.

As of May 26, 2024 and May 28, 2023, except for the requirements to deliver certain historical financial statements, the Company was in compliance with all financial covenants under the Term Loan Credit Facility and Revolving Credit Facility (as discussed below). In December 2023, the Company entered into limited waivers and amendments to credit agreements, as discussed in the “*Limited Waivers and Amendments to Credit Agreements* ” section below.

Prior Term Loan Facility

On December 31, 2020, the Company refinanced its previously existing term loan and revolving credit facility by entering into (i) a credit agreement with Goldman and Guggenheim Credit Services, LLC, as lenders, which provided the Company, Curation Foods and Lifecore, as co-borrowers, with term loan borrowings of up to $170.0 million (the “Prior Term Loan Facility”), and (ii) a credit agreement with BMO as lender, which provided the Company, Curation Foods and Lifecore, as co-borrowers, with an up to $75.0 million revolving line of credit (the “Revolving Credit Facility” and together with Prior Term

Loan Facility, the “Prior Credit Facilities”). The Revolving Credit Facility is, and the Prior Term Loan Facility was, guaranteed, and secured by, substantially all of the Company’s and the Company’s direct and indirect subsidiaries’ assets.

In April 2022, the Company amended the Prior Credit Facilities to make available an additional $20.0 million of term debt that had been previously repaid. In connection with this amendment, the Company incurred debt issuance costs from the lender of $0.7 million.

On January 9, 2023, the Company entered into further amendments to the Prior Credit Facilities to, among other things, provide for the limited waiver from events of default under the Prior Credit Facilities related to certain financial covenant requirements, as well as a waiver of certain existing terms and covenants under the Prior Term Loan Facility, including with respect to the fixed coverage ratio leverage ratio and minimum liquidity covenants, 2% increase of annual interest rate, which was payable in kind, and a one-time amendment fee in an amount equal to 3% of the principal amount as of January 9, 2023. This amendment also reduced the maximum commitment under the Revolving Credit Facility from $75.0 million to $60.0 million, which was further reduced to $40.0 million upon the sale of Yucatan.

The Prior Term Loan Facility would have matured on December 31, 2025. The Revolving Credit Facility matures on December 31, 2025.

Interest on the Revolving Credit Facility is based upon the Company's average availability, at a per annum rate of either (i) SOFR rate plus a spread of between 2.00% and 2.50% or (ii) base rate plus a spread of between 1.00% and 1.50%, plus a commitment fee, as applicable, of 0.375% and plus (iii) for the period from December 1, 2022 until January 31, 2023, additional 2% per annum. Interest on the Prior Term Loan Facility was at a per annum rate based on either (i) the base rate plus a spread of 7.50% or (ii) the SOFR rate plus a spread of 8.50%. The Prior Term Loan Facility also provided that in the event of a prepayment of any amount other than the scheduled installments within twelve months after the closing date, a penalty will be assessed equal to the aggregate amount of interest that would have otherwise been payable from date of prepayment event until twelve months after the closing date plus 3% of the amount prepaid.

The Revolving Credit Facility contains, and the Prior Term Loan Facility contained, customary financial covenants and events of default under which the obligations thereunder could be accelerated and/or the interest rate increased in specified circumstances.

In connection with the January 2023 amendments to the Prior Credit Facilities, the Company incurred debt issuance costs from the lender and third parties of $4.2 million (comprised of $1.1 million in cash and $3.1 million PIK) and $62.5 thousand, respectively, during the year ended May 28, 2023.

Loss on Debt Extinguishment

On May 22, 2023, the Company Curation and Lifecore Biomedical Operating Company, Inc. (together with the Company and Curation, the “Borrowers”) entered into the New Term Loan Credit Facility (as defined below) with Alcon. The proceeds of this New Term Loan Credit Facility were used to repay the Prior Term Loan Facility in its entirety. In connection with the New Term Loan Credit Facility, the Company recorded a loss on debt extinguishment in the consolidated statement of operations for the year ended May 28, 2023, amounting to $23.7 million, comprised of a prepayment penalty of $12.9 million, write-off unamortized deferred financing fees related to the Prior Term Loan Facility of $7.6 million and third-party fees of $3.3 million.

New Term Loan Credit Facility

On May 22, 2023, the Company and Alcon entered into a Credit and Guaranty Agreement (the “Term Loan Credit Facility”). The Term Loan Credit Facility refinanced in full all obligations of the Company and their subsidiaries under its prior term loan credit facility. Upon entry into the Term Loan Credit Facility, the Prior Term Loan Facility was terminated and all noncompliance with debt covenants were thereby cured.

The Term Loan Credit Facility provides for up to $142.3 million in term loans, subject to certain adjustments based on the post-closing adjustments to the Purchase Price (as defined in the Equipment Sale and Leaseback Agreement, defined below), which were funded in full on May 22, 2023. The obligations under the New Term Loan Credit Facility mature on May 22, 2029. The New Term Loan Credit Facility is secured by the same collateral that secures the Revolving Credit Facility, with relative priorities in respect thereof, as set forth in the Intercreditor Agreement (as defined below).

The loans under the New Term Loan Credit Facility have a fixed interest rate equal to 10% per annum. Interest is payable-in-kind until the third anniversary of the closing date and following the third anniversary of the closing date is payable at a rate equal to 3% per annum in cash with the remainder payable-in-kind, in each case, unless otherwise elected by the Borrowers to pay a greater proportion in cash. The New Term Loan Credit Facility contains customary affirmative covenants including, but not limited to, financial reporting requirements and maintenance of existence requirements and negative covenants, including, but not limited to, limitations on the incurrence of debt, liens, investments, restricted payments, restricted debt payments, and affiliate transactions. The New Term Loan Credit Facility contains one financial covenant, a minimum liquidity covenant, requiring $4.0 million of Consolidated Liquidity (as defined in the Term Loan Credit Facility) as of May 28, 2023 and as of the end of the first, second and third fiscal quarters of 2024 of the Company. During the fourth quarter of fiscal year 2024, the minimum liquidity covenant was increased to $4.5 million.

The Company identified a number of embedded derivatives that require bifurcation from the New Term Loan Credit Facility that were separately accounted for in the consolidated financial statements as one compound derivative liability (the “debt derivative liability”). Certain of these embedded features include change in control provisions, events of default and contingent rate increases and were determined to qualify as an embedded derivative under ASC 815-40. The embedded derivative and the New Term Loan Credit Facility obligation have been bifurcated to result in a net embedded derivative liability and is classified as a Level 3 financial liability in the fair value hierarchy as of May 26, 2024 and May 28, 2023. The fair value of the embedded derivative liabilities associated with the term loans was estimated using the discounted cash flow method under the income approach. This involves significant Level 3 inputs and assumptions including an estimated probability and timing of a change in control and events of default. The Company will re-evaluate this assessment each reporting period and record any gains or losses in other income (expense). The initial recognition of the embedded derivative liability upon issuance of the New Term Loan Credit Facility on May 22, 2023 was $64.9 million and is recorded as a reduction the term loan obligation in the consolidated Balance Sheets. Amortization of the debt discount is based on the effective interest method over the term of the debt. The amortization of the debt discount between the issuance of May 22, 2023 and May 28, 2023 was $0.1 million, and for the year ended May 26, 2024 was $2.4 million. At May 26, 2024 and May 28, 2023, the fair value of the embedded derivative liability approximated $25.4 million and $64.9 million, respectively.

Pledge and Security Agreement

Also on May 22, 2023, the Borrowers and certain of the Company’s other subsidiaries, as grantors (collectively, the “Grantors”), entered into that certain Pledge and Security Agreement (the “Term Loan Security Agreement”), dated as of May 22, 2023, with Alcon, as collateral agent. Pursuant to the Term Loan Security Agreement, the Grantors secured their obligations under the New Term Loan Credit Facility by granting to Alcon, as collateral agent, a first priority security interest in certain collateral, including but not limited to equipment, fixtures, real property and intellectual property. The security interest granted by the Grantors under the Term Loan Security Agreement continues in effect until the payment in full of all of the secured obligations under the New Term Loan Credit Facility.

Amendment to Revolving Credit Facility

On May 22, 2023, the Borrowers and certain of the Company’s other subsidiaries, as guarantors, entered into a Limited Waiver, Consent and Fifth Amendment (the “Revolving Loan Amendment”) to the credit agreement with BMO, as lender (the “Revolving Credit Facility”).

The Revolving Loan Amendment provides for, among other things, (i) a waiver of all known existing defaults under a revolving credit agreement as of the date of the Revolving Loan Amendment, (ii) the reduction of the maximum amount available under a revolving credit agreement to up to the lesser of (x) $40.0 million, less a reserve for certain secured credit products, if any, and (y) the borrowing base (which, pursuant to the Revolving Loan Amendment, was modified to include a further reduction of the borrowing base by an additional $4.0 million), (iii) the modification of the springing minimum fixed charge coverage ratio of 1.00 to 1.00, with such covenant not tested until the fiscal quarter ending on or about February 28, 2024 and, on or thereafter, upon the earlier of the occurrence of an event of default or availability being less than the greater of 10% of the maximum borrowing amount and $4.0 million, (iv) cash dominion at all times the Revolving Credit Facility remains outstanding, and (v) certain other revisions to align with the terms of the New Term Loan Credit Facility and address the relative priorities and credit for borrowings related to the Company’s commercial relationships with Alcon.

In connection with the entry into the Revolving Loan Amendment, the Company also agreed to pay to BMO an amendment fee of $1.2 million, $0.8 million of which is paid concurrently with the Company’s entry into the Revolving Loan Amendment. The remaining $0.4 million obligation is payable at the earlier of (i) repayment in full of the Company’s obligations, and termination of all commitments, under the Revolving Credit Facility and (ii) the occurrence of a Change of Control (as defined in the Revolving Credit Facility). The Company will accrete the remaining amendment fee over the life of the credit facility. In connection with the entry into the Revolving Loan Amendment, the Company recorded $1.2 million of debt origination costs.

The Company records its Revolving Credit Facility deferred finance costs as an asset; as such, $1.6 million were recorded as other assets in the accompanying consolidated balance sheet as of May 26, 2024. As of May 28, 2023, $0.9 million and $1.4 million were recorded as other current assets and other long-term assets, respectively.

As the Company's borrowings under the Revolving Credit Facility for the next twelve months will increase to above the $19.7 million as of the balance sheet date, and scheduled repayments are not due until December 31, 2025, we have determined the line of credit to be classified as a long-term liability as of May 26, 2024.

BMO and Alcon also entered into an intercreditor agreement regarding their relative rights, as lenders, in the assets of the Company and its subsidiaries that serve as collateral for their respective credit facilities (the “Intercreditor Agreement”).

On May 10, 2024, the Company also entered into the Seventh Amendment to Credit Agreement, by and among Lifecore., Curation Foods, Inc., Lifecore Biomedical Operating Company, Inc., and BMO Bank N.A (the “ABL Loan Agreement”) with its ABL lender to execute a “first-in, last-out” tranche of revolving loans under the ABL Loan Agreement (the “FILO Amendment”). While not increasing the overall revolver commitment of $40 million, the FILO Amendment provides for up to approximately $2.5 million of incremental revolving loan capacity to the Company, subject to a variable cap, without changing the collateral. In connection with the FILO Amendment, the margin rate applicable to the borrowings pursuant to the FILO Amendment was increased to SOFR plus 4.25%, which is expected to increase annual cash interest expense by approximately $44,000 assuming $2.5 million in FILO tranche borrowings thereunder. The maximum capacity of permitted borrowings pursuant to the FILO Amendment will be reduced on a monthly basis commencing October 1, 2025. The Company paid a fee of $50,000 to BMO in connection with the FILO Amendment.

Limited Waivers and Amendments to Credit Agreements

On December 31, 2023, the Company entered into (i) a Limited Waiver and First Amendment to Credit and Guaranty Agreement (the “Alcon Amendment”), with Alcon, which amended the Term Loan Credit Facility, and (ii) the Limited Waiver and Sixth Amendment to Credit Agreement (the “ BMO Amendment” and, together with the Alcon Amendment, the “Credit Agreement Amendments”) which amended the Revolving Credit Facility.

The Alcon Amendment provides for, among other things, (i) a waiver of the specified defaults listed therein under the Term Loan Credit Facility as of the date of the Alcon Amendment, (ii) a waiver of the requirement to deliver certain historical financial statements, (iii) the inclusion of a requirement that the Company notify Alcon in advance of any layoff(s) by the Company and/or its subsidiaries that would result in a reduction in the overall headcount of the Company’s full-time manufacturing and support personnel by more than 20 persons in the aggregate, and (iv) an amendment to the financial reporting requirements under the Term Loan Credit Facility providing additional time for the Company’s delivery of its financials for the quarter ended November 26, 2023.

The BMO Amendment provides for, among other things, (i) a waiver of the specified defaults listed therein under the Revolving Credit Facility as of the date of the BMO Amendment, (ii) a waiver of the requirement to deliver certain historical financial statements, (iii) an amendment to the definition of “Applicable Margin” with respect to loans under the Revolving Credit Facility from December 31, 2023 until the “Specified Adjustment Date” (as defined in the Revolving Credit Facility as amended by the BMO Amendment) (i.e., the date on which 2024 audited annual financial statements and certain other materials are delivered by the Company to BMO), and (iv) an amendment to the definition of “Eligible Accounts” thereunder in respect of certain accounts.

The Company was not required to pay any fees in connection with the Credit Agreement Amendments.

On August 8, 2024, the Company received limited waivers under its Credit Agreements relating to not timely providing (i) notice of the occurrence of a default; and (ii) the Lifecore financial plan for the fiscal year ending May 25, 2025.

Equipment Sale and Leaseback Agreements

On May 22, 2023, the Company entered into that certain Equipment Sale and Leaseback Agreement (the “Equipment Sale and Leaseback Agreement”), dated May 22, 2023, with Alcon, wherein the Company sold $10.0 million (subject to certain post-closing adjustments) (the “Purchase Price”) of certain equipment, machinery, and other property associated with the production of sodium hyaluronate (the “Equipment”) to Alcon. The Equipment Sale Leaseback Agreement contains an option for the Company to repurchase the Equipment upon the earlier of (i) seven (7) years and (ii) the expansion of the Company’s existing production capacity with respect to sodium hyaluronate, for a purchase price equal to the Purchase Price, less the aggregate of all Paydown Payments (as defined in the Equipment Lease Agreement). The Purchase Price was subsequently reduced to $7.7 million based on the fair value of the equipment, as required by the terms of the Equipment Sale and Leaseback Agreement. The difference of $2.3 million between the initial sales value of $10.0 million and the $7.7 million was added to the term loan agreement, which resulted in a term loan amount of $142.3 million and the proceeds to Lifecore across the two agreements did not change.

Concurrently with the entry into the Equipment Sale and Leaseback Agreement, the Company entered into that certain Equipment Lease Agreement (the “Equipment Lease Agreement” and, together with the Equipment Sale Leaseback Agreement, the New Term Loan Credit Facility, the Term Loan Security Agreement, and the Revolving Loan Amendment, collectively, the “Refinancing Transactions”), dated May 22, 2023, with Alcon, wherein Alcon leased the Equipment back to the Company. The Equipment Lease Agreement expires upon the earlier of (i) May 22, 2033, and (ii) the date that the Equipment is repurchased by the Company pursuant to the terms of the Equipment Lease Agreement. Upon the expiration of the Equipment Lease Agreement on May 22, 2033, the Company shall automatically repurchase the Equipment for $1.00 (if not previously repurchased pursuant to the option under the Equipment Sale and Leaseback Agreement).

During the lease term, the Company is obligated to make quarterly rental payments to Alcon equal to (i) 1/40th of the Purchase Price (the “Paydown Payments”), plus (ii) 1.5% times the Purchase Price less cumulative Paydown Payments made. The Company concluded that the Equipment Sale and Leaseback Agreement did not meet the requirements for sale-leaseback accounting, therefore the carrying value of the equipment remains on the balance sheet and the $7.7 million Purchase Price (as adjusted) of the equipment sale finance obligation (the “Equipment Sale Finance Liability”) has been classified in Long Term debt.

The Equipment Lease Agreement contains terms and provisions (including representations, covenants and conditions) that are generally customary for a commercial lease of this nature, including obligations relating to the use, operation and maintenance of the Equipment. During the term of the lease, Alcon is not permitted to sell or encumber the Equipment. Alcon is only entitled to cancel the Equipment Lease Agreement in the event of insolvency, liquidation or bankruptcy, and its remedies for other breaches of the Equipment Lease Agreement are otherwise limited to monetary damages.

Critical Accounting Estimates

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and judgments that affect the amounts reported in the financial statements and accompanying notes to the Consolidated Financial Statements. The accounting estimates that require management’s most significant and subjective judgments include revenue recognition; recognition and measurement of current and deferred income tax assets and liabilities; the assessment of recoverability of long-lived assets (including intangible assets and goodwill) and inventory; the valuation of debt derivatives liability, and the valuation of performance share units.

These estimates involve the consideration of complex factors and require management to make judgments. The analysis of historical and future trends can require extended periods of time to resolve, and are subject to change from period to period. The actual results may differ from management’s estimates. Our accounting policies are more fully described in “Part IV, Item 15. Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies”. Management has discussed the development and selection of these critical accounting policies and estimates with our Board of Directors.

Revenue Recognition

The Company follows the five step, principles-based model to recognize revenue upon the transfer of promised goods or services to customers and in an amount that reflects the consideration for which the Company expects to be entitled in exchange for those goods or services. Revenue, net of estimated allowances and returns, is recognized when or as the Company satisfies its performance obligations under a contract and control of the product is transferred to the customer.

Lifecore generates revenue from two integrated activities: CDMO and Fermentation. CDMO is comprised of aseptic and development services. Lifecore’s standard terms of sale are generally included in its contracts and purchase orders. Shipping and other transportation costs charged to customers are recorded in both revenue and cost of goods sold. Lifecore has elected to account for shipping and handling as fulfillment activities, and not as a separate performance obligation. Lifecore’s standard payment terms with its customers generally range from 30 days to 60 days.

CDMO - Aseptic

Lifecore provides aseptic formulation and filling of syringes, vials and cartridges with precisely formulated medical grade HA and non-HA materials for injectable products used for medical purposes. In instances where our customers contract with us to aseptically fill syringes, vials and cartridges with our HA, the goods are distinct in the context of the contract. Lifecore generally recognizes revenue for these products at the point in time when the product is released through the completion of the certificate of analysis or at the time shipment is made or upon delivery of the product.

CDMO - Development Services

Lifecore provides product development services to assist its customers in obtaining regulatory approval for the commercial sale of their drug product. These services include activities such as technology development, material component changes, analytical method development, formulation development, pilot studies, stability studies, process validation, production of proprietary materials for use within clinical studies and the transfer of proprietary process documentation and results of validation to the customers. The Company's customers benefit from the expertise of its scientists who have extensive experience performing such tasks and from the proprietary documentation and validation of processes that are received upon completion of the services that can be used by the customer.

Each of the promised goods and services are not distinct in the context of the contract as the goods and services are highly interdependent and interrelated. The services described above are significantly affected by each other because Lifecore would not be able to fulfill its promise by transferring each of the goods or services independently.

Revenues generated from development services arrangements are recognized over time as Lifecore is creating an asset without an alternate use as it is unique to the customer. Furthermore, the Company has an enforceable right to payment for the performance completed to date for its costs incurred in satisfying the performance obligation plus a reasonable profit margin. For each of the development activities performed by Lifecore as described above, labor is the primary input (i.e., labor costs represent the majority of the costs incurred in the completion of the services). The Company determined that labor hours are the best measure of progress as it most accurately depicts the effort extended to satisfy the performance obligation over time and therefore recognizes development services revenue over time based on the proportion of labor hours incurred compared to total estimated hours for an individual arrangement.

Fermentation

Lifecore manufactures and sells HA in bulk form to its customers. The HA produced is distinct as customers are able to utilize the product provided under HA supply contracts when they obtain control. Lifecore recognizes revenue for these products at the point in time when legal title to the product is transferred to the customer, which is at the time that shipment is made or upon delivery of the product to our customer.

During the fourth fiscal quarter of fiscal years 2024 and 2023, we entered into a bill-and-hold arrangement with a customer. Revenue for bill-and-hold arrangements is recognized when control transfers to the customer, even though the customer does not have physical possession of the goods. Control transfers when the bill-and-hold arrangement has been determined to have substantive reason, the product is identified as belonging to the customer, the product is ready for physical transfer to the customer and the product cannot be used or directed to another customer.

Impairment Review of Goodwill and Indefinite-Lived Intangible Asset

The Company tests its goodwill and trademarks with indefinite lives annually for impairment in the fiscal fourth quarter or earlier if there are indications during a different interim period that these assets may have become impaired.

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

With respect to goodwill, the Company has the option to first assess qualitative factors such as macro-economic conditions, industry and market environment, cost factors, overall financial performance of the Company, cash flow from operating activities, market capitalization, litigation, and stock price. If the result of a qualitative test indicates a potential for impairment of a reporting unit, a quantitative test is performed. The quantitative test compares the carrying amount of a reporting unit that includes goodwill to its fair value. The Company determines the fair value using an income approach. Under the income approach, fair value is determined based on estimated future cash flows, discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of the Company and the rate of return an outside investor could expect to earn. A goodwill impairment loss is recognized for the amount that the carrying amount of a reporting unit, including goodwill, exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit.

To determine the fair value of a reporting unit as part of its quantitative test, the Company considers both the market and income approach as it believes that this approach is the most reliable indicator of the fair value of its businesses and the fair value of their future earnings and cash flows. The income approach is a discounted cash flow ("DCF") method which requires significant judgments. The Company estimates the future cash flows and discounts these cash flows at a rate of return that reflects their relative risk. The cash flows used in the DCF method are consistent with those the Company uses in its internal planning, which gives consideration to actual business trends experienced, and the broader business strategy for the long term. The other key estimates and factors used in the DCF method include, but are not limited to, future volumes, net sales and expense growth rates, gross margin and gross margin growth rates, and the discount rate applied. Changes in such estimates or the application of alternative assumptions could produce different results.

For trademarks and other intangible assets with indefinite lives, the Company has the option to first assess qualitative factors such as macro-economic conditions, industry and market environment, cost factors, overall financial performance of the Company, litigation, and changes in the business in its annual, qualitative analysis to test for impairment. If the results of a qualitative test indicate a potential for impairment of an intangible asset with an indefinite life, a quantitative test is performed. The quantitative test compares the estimated fair value of an asset to its carrying amount. If the carrying amount of such asset exceeds its estimated fair value, an impairment charge is recorded for the difference between the carrying amount and the estimated fair value. The Company uses the income approach to estimate the fair value of its trademarks. This approach requires significant judgments in determining the royalty rates and the assets' estimated cash flows as well as the appropriate discount rates applied to those cash flows to determine fair value. Changes in such estimates or the use of alternative assumptions could produce different results.

Income Taxes

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

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

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

Debt Derivative Liability, related party

The key inputs to the valuation models that were utilized to estimate the fair value of the debt derivative liability, related party, were (i) a weighted average probability related to the timing of a change in control over the remaining term of the debt. Changes to this input has the most significant impact to the determination of fair value; (ii) the estimated probability related to an event of default of the Alcon Supply Agreement, as amended, weighted as to 30 days from the reporting date and at the end of the term of the Term Loan agreement. Changes to this key input could have a significant impact to the determination of fair value, but the risk of a default is low; and (iii) a risk-adjusted discount rate, which has historically been moderate and does not have a significant impact to the determination of fair value. Beginning in the second quarter of fiscal year 2024 and continuing through the third quarter of fiscal year 2024, there were sequential declines in the change in control probabilities assumptions in connection with the Company's review of the strategic alternatives initiative that significantly impacted the fair value of the debt derivative liability, related party. As the Board concluded its strategic alternatives review in the fourth quarter of fiscal year 2024, the Company determined that the probability of a change of control event within 12 months after the end of the quarter was no longer appropriate and began applying a probability weighted estimate of change of control over the remaining term of the Term Loan Credit Facility, related party. The Company has estimated that the probability related to event of default of the Supply Agreement to be low and it remained unchanged during fiscal year 2024.

Performance Share Units Valuation

The key inputs to the valuation of Performance Share Units are award term, valuation date stock price, expected volatility, and risk-free interest rate. These factors are utilized in a Monte Carlo Model.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Interest Rate Exposure

Our net interest expense is sensitive to changes in the general level of interest rates. In this regard, changes in interest rates will affect our net interest expense, as well as the fair value of our debt.

Interest on the Revolving Credit Facility is based upon the Company's average availability, at a per annum rate of either: (i) SOFR rate plus a spread of between 2.75%; (ii) SOFR FILO rate plus a spread of 4.25%; (ii) Base Rate plus a spread of 1.75%, or (iv) Base Rate FILO plus a spread of 3.25%, plus a commitment fee, as applicable of 0.375%. Interest on the Term Loan Facility is at a per annum rate of 10.0%.

A hypothetical 100 basis point increase or decrease in weighted average interest rates under our refinance revolver, based upon the face value of such instruments, would increase our interest expense by approximately $0.2 million over a twelve-month period.

Item 8. *Financial Statements and Supplementary Data*

The information contained in Part IV, Item 15 included elsewhere in this Annual Report on Form 10-K is incorporated herein by reference.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

Not applicable.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Form 10-K. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon the evaluation, our principal executive officer and principal financial officer concluded that due to material weaknesses in our internal control over financial reporting as described in the "Management's Report on Internal Control over Financial Reporting", our disclosure controls and procedures were not effective as of May 26, 2024.

As further described below, the Company's management is in the process of evaluating and implementing plans to remediate the material weaknesses identified, but they have not been remediated as of the date of filing of this Annual Report on Form 10-K. Despite the existence of these material weaknesses, our management believes that the consolidated financial statements included in this Annual Report on Form 10-K fairly present, in all material respects, the Company's financial condition, results of operations and cash flows for the periods presented in conformity with U.S. generally accepted accounting principles.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting (as defined in Rule 13(a)-15(f) under the Securities Exchange Act of 1934, as amended). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and presentation of consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, these controls can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that the internal controls may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of May 26, 2024. In making this assessment, which was conducted under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework (2013). As part of our annual assessment, management has concluded that we did not we did not maintain effective internal control over financial reporting as of May 26, 2024.

The Company has identified deficiencies in the internal control over financial reporting that aggregated to material weaknesses in the following components of the COSO framework:

a. Control Environment – maintaining a sufficient complement of personnel to timely support the Company's internal control objectives and ensuring personnel conduct internal control related responsibilities;

b. Risk Assessment - identification and assessment of risks and changes in the business model resulting from recent disposition activities that impacted the design of control activities, including the precision of management review controls, and the completeness of controls required to support the financial reporting framework;

c. Information and Communication - Design of controls to validate the completeness and accuracy of information used in the performance of control activities; and

d. Monitoring – As a result of the material weaknesses described above, the Company failed to design and implement certain monitoring activities that were responsive to timely identification and remediation of control deficiencies.

e. Control Activities - As a result of the material weaknesses in the COSO components identified above, the control activities were ineffective and represent a material weakness.

The material weaknesses previously identified related to the accounting for and classification of certain non-standard transactions, which included discontinued operations, restructuring costs, and indefinite-lived and long-lived asset impairment tests for the year ended May 29, 2022 continued to exist as of May 28, 2023 and May 26, 2024 and are included and appropriately reside within the material weaknesses relating to components of the COSO framework as described above.

Management's Plan for Remediation of the Material Weaknesses

Management, with the oversight of the Audit Committee, is committed to remediating the control deficiencies. The remediation efforts are intended to both address the identified material weaknesses and to enhance our overall control environment.

Steps taken by management to date include the following:

- Engaged a third-party consultant to assist with remediation efforts, including enhancing our risk assessment, evaluating gaps in current processes and controls, and developing a remediation plan.

- Committing to adding a sufficient number of qualified personnel within our accounting and finance team with the appropriate qualified experience in financial reporting, consolidations, technical accounting, and application of GAAP.

In addition to the above efforts undertaken, the Company plans to initiate the following steps intended to remediate the material weaknesses described above and strengthen its internal control over financial reporting:

- Performing an updated risk assessment responsive to changes in the business and establishing processes to update timely for future changes.

- Implementing new and enhanced controls and procedures responsive to our risk assessment at an appropriate level of precision related to management review and the completeness of controls required to support the financial reporting framework.

- Conducting broad based training over the application of the 2013 COSO framework for key process owners and control operators.

- Implementing a Section 302 sub-certification program by business leadership and process owners to reinforce the Company’s culture of compliance.

- Evaluating accounting policies and procedures by performing a detailed review of the Company’s policies against GAAP and SEC reporting checklists.

- Establishing and implementing a SOX Steering Committee.

- Implementing a process to identify and maintain the information required to support the functioning of internal controls over financial reporting.

- Enhancing reviews of non-recurring transactions, including preparing technical accounting memos and consulting with subject matter experts, as needed.

- Expanding the internal audit function to perform timely assessment of design and operating effectiveness of controls and evaluation of remediation of control deficiencies.

The material weaknesses will not be considered remediated until management designs and implements effective controls that operate for a sufficient period of time and management has concluded, through testing, that these controls are effective. As we continue to evaluate operating effectiveness and monitor improvements to our internal control over financial reporting, we may take additional measures to address control deficiencies or modify the remediation plan described above.

Our independent registered public accounting firm, BDO USA, P.C., has issued an audit report on our internal control over financial reporting which appears in Part IV, Item 15 of this Annual Report on Form 10-K.

Changes in Internal Controls over Financial Reporting

Except for the remediation efforts described above, there have been no changes in our system of internal control over financial reporting during the quarter ended May 26, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

During the fiscal quarter ended May 26, 2024, none of our officers or directors adopted or terminated any "Rule 10b5-1 trading arrangement" or any "non-Rule 10b5-1 trading arrangement," in each case, as such terms are defined in Item 408 of Regulation S-K.

Item 9C. ***Disclosure Regarding Foreign Jurisdictions that Prevent Inspections***

Not applicable.

PART III

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

The information required by this item will be contained in our definitive proxy statement relating to our 2024 Annual Meeting of Stockholders which we will file with the Securities and Exchange Commission (the “Commission”) no later than September 23, 2024 (120 days after the fiscal year end covered by this Annual Report on Form 10-K) and is incorporated herein by reference.

Item 11. *Executive Compensation*

The information required by this item will be contained in our definitive proxy statement relating to our 2024 Annual Meeting of Stockholders which we will file with the Commission no later than September 23, 2024 (120 days after the fiscal year end covered by this Annual Report on Form 10-K) and is incorporated herein by reference.

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

The information required by this item will be contained in our definitive proxy statement relating to our 2024 Annual Meeting of Stockholders which we will file with the Commission no later than September 23, 2024 (120 days after the fiscal year end covered by this Annual Report on Form 10-K) and is incorporated herein by reference.

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

The information required by this item will be contained in our definitive proxy statement relating to our 2024 Annual Meeting of Stockholders which we will file with the Commission no later than September 23, 2024 (120 days after the fiscal year end covered by this Annual Report on Form 10-K) and is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services*

The information required by this item will be contained in our definitive proxy statement relating to our 2024 Annual Meeting of Stockholders which we will file with the Commission no later than September 23, 2024 (120 days after the fiscal year end covered by this Annual Report on Form 10-K) and is incorporated herein by reference.

PART IV

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

Consolidated Financial Statements of Lifecore Biomedical, Inc.

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

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

Item 16. ***Form 10-K Summary***

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
Lifecore Biomedical, Inc.
Chaska, MN

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Lifecore Biomedical, Inc. (the “Company”) as of May 26, 2024, the related consolidated statements of operations, comprehensive income (loss), convertible preferred stock and stockholders’ (deficit) equity, and cash flows for the year ended May 26, 2024, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at May 26, 2024, and the results of its operations and its cash flows for the year ended May 26, 2024, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company's internal control over financial reporting as of May 26, 2024, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated August 26, 2024 expressed an adverse opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition for Development Services

As described in Note 1 to the consolidated financial statements, the Company recognized revenues of $ 29.4 million for the year ended May 26, 2024, related to development services. For development services, revenue is recognized over time, based on the proportion of labor hours incurred compared to the total estimated hours for an individual arrangement.

We identified the estimated labor hours to complete an arrangement with a customer used in revenue recognition for development services as a critical audit matter. Management estimates labor hours in the revenue recognition for development services agreements that are not yet completed. Auditing management’s judgments and estimates required significant audit effort and auditor subjectivity.

The primary procedures we performed to address this critical audit matter included:

- Obtaining an understanding of management’s process and evaluating the design of controls in the determination of labor hours used in revenue recognition of development services.

- Testing the completeness and accuracy of contract terms by comparing inputs included in management’s calculations to executed contracts including any significant amendments.

- For a sample of projects, agreeing labor hours used in the revenue recognition to payroll records.

- Performing a retrospective review to evaluate ability to estimate the number of labor hours necessary to complete development services by comparing the original estimated number of labor hours to the actual amount incurred for a sample of completed projects.

Fair Value of Debt Derivative Liability, Related Party

As described in Note 6 of the consolidated financial statements, on May 22, 2023, the Company entered into a Credit and Guaranty Agreement with Alcon for up to $ 142.3 million in term loans (“Term Loan Credit Facility”). The Company concluded that the Term Loan Credit Facility contains features that are embedded derivatives that require bifurcation from the Term Loan in accordance with Accounting Standards Codification 815, Derivatives and Hedging. The initial recognition of the debt derivative liability, related party upon issuance of the Term Loan Credit Facility was $ 64.9 million. The fair value of the debt derivative liability, related party was $ 25.4 million on the Company’s consolidated balance sheets as of May 26, 2024.

We identified the determination of the inputs used by the Company to develop the estimated fair value of the put and call options associated with i) change of control event and ii) an event of default under a material agreement comprising the debt derivative, related party as a critical audit matter. These inputs are based on management judgment and consist of the estimated probability of occurrence and exercise date components of the redemption feature option assumptions. Auditing these inputs used in the valuation of the debt derivative, related party required especially challenging and subjective auditor judgment due to the nature and extent of auditor effort required to address this matter, including the use of individuals with specialized skills or knowledge.

The primary procedures we performed to address this critical audit matter included:

- Obtaining an understanding of management's process in the determination of the inputs used in the fair value determination of Debt Derivative Liability, Related Party

- Testing management’s process for developing the fair value estimate and evaluating the inputs used to calculate the fair value of the debt derivative, related party specifically the weighting of the probability of occurrence and timing of the exercise dates of each of the redemption feature options for each of the change of control and the event of default under a material agreement redemption options and considering evidence obtained in other areas of the audit to determine if contradictory evidence existed; and

- Utilizing personnel with specialized skills and knowledge in valuation approaches and methodologies to assist in (i) assessing the appropriateness of the methodology used and application of the assumptions in estimating the fair value of the debt derivative liability, related party; and (ii) performing sensitivity tests to determine the impacts of changes to certain of the primary inputs to the concluded value determined by management.

/s/ BDO USA, P.C.

We have served as the Company’s auditor since 2024.

Minneapolis, Minnesota

August 26, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Lifecore Biomedical, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Lifecore Biomedical, Inc. (the Company) as of May 28, 2023, the related consolidated statements of operations, comprehensive loss, convertible preferred stock and stockholders' (deficit) equity and cash flows for each of the two years in the period ended May 28, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at May 28, 2023, and the results of its operations and its cash flows for each of the two years in the period ended May 28, 2023, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We served as the Company's auditor from 2008 to 2024.

Minneapolis, Minnesota

March 19, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
Lifecore Biomedical, Inc.
Chaska, Minnesota

Opinion on Internal Control over Financial Reporting

We have audited Lifecore Biomedical Inc.'s (the "Company's") internal control over financial reporting as of May 26, 2024, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of May 26, 2024, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of May 26, 2024, the related consolidated statements of operations, comprehensive income (loss), convertible preferred stock and stockholders' (deficit) equity, and cash flows for the year ended May 26, 2024, and the related notes (collectively referred to as "the financial statements") and our report dated August 26, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment. The Company has identified deficiencies in certain components of the COSO criteria. Specifically, the Company identified control deficiencies constituting material weaknesses, either individually or in the aggregate, relating to the following components in the COSO criteria:

1) Control Environment – Maintaining a sufficient complement of personnel to timely support the Company's internal control objectives and ensuring personnel conduct internal control related responsibilities;

2) Risk Assessment - Identification and assessment of risks and changes in the business model resulting from recent disposition activities that impacted the design of control activities, including the precision of management review controls, and the completeness of controls required to support the financial reporting framework;

3) Information and Communication - Design of controls to validate the completeness and accuracy of information used in the performance of control activities;

4) Monitoring – As a result of the material weaknesses described above, the Company failed to design and implement certain monitoring activities that were responsive to timely identification and remediation of control deficiencies; and

5) Control Activities - As a result of the material weaknesses in the COSO components identified above, the control activities were ineffective and represent a material weakness.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2024 financial statements, and this report does not affect our report dated August 26, 2024 on those financial statements.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, P.C.

Minneapolis, Minnesota

August 26, 2024

LIFECORE BIOMEDICAL, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	May 26, 2024	May 28, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 8,462	$ 19,091
Accounts receivable, less allowance for credit losses	20,343	19,907
Accounts receivable, related party	10,810	9,117
Inventories, net	39,979	40,841
Prepaid expenses and other current assets	1,439	4,919
Total Current Assets	81,033	93,875
Property and equipment, net	148,598	134,390
Operating lease right-of-use assets	2,442	4,282
Goodwill	13,881	13,881
Intangible assets	4,200	4,200
Other long-term assets	3,806	2,917
Total Assets	$ 253,960	$ 253,545
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable	$ 16,334	$ 22,097
Accrued compensation	5,533	4,145
Other accrued liabilities	9,986	7,142
Current portion of lease liabilities	4,133	1,270
Deferred revenues	1,088	552
Deferred revenues, related party	1,025	3,503
Current portion of long-term debt, net, related party	773	580
Total Current Liabilities	38,872	39,289
Long-term debt, less current portion, net, related party	100,819	84,256
Revolving credit facility	19,691	16,809
Debt derivative liability, related party	25,400	64,900
Long-term lease liabilities, less current portion	4,944	9,709
Deferred taxes, net	543	380
Deferred revenues, less current portion, related party	4,703	2,940
Other non-current liabilities	5,086	174
Total Liabilities	200,058	218,457
Commitments and Contingencies, see Note 9		
Series A Convertible Preferred stock, $ 0.001 par value; 2,000 shares authorized; 42 and 39 shares issued and outstanding at May 26, 2024 and May 28, 2023, respectively	42,587	39,318
Stockholders' Equity (Deficit):		
Common stock, $ 0.001 par value; 50,000 shares authorized; 30,563 and 30,322 shares issued and outstanding at May 26, 2024 and May 28, 2023, respectively	30	30
Additional paid-in capital	177,808	174,276
Accumulated deficit	(166,523)	(178,536)
Total Stockholders' Equity (Deficit)	11,315	(4,230)
Total Liabilities, Convertible Preferred Stock and Stockholders' Equity (Deficit)	$ 253,960	$ 253,545

See accompanying notes to the consolidated financial statements.

LIFECORE BIOMEDICAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended		
	May 26, 2024	May 28, 2023	May 29, 2022
Revenues	$ 77,674	$ 99,247	$ 111,270
Revenues, related party	50,587	4,022	—
Total revenues	128,261	103,269	111,270
Cost of goods sold	86,411	75,284	72,204
Gross profit	41,850	27,985	39,066
Operating costs and expenses:			
Research and development	8,575	8,736	7,839
Selling, general and administrative	40,463	38,969	34,659
Gain on sale of divested business	—	(2,108)	—
Restructuring costs	1,656	4,184	8,359
Total operating costs and expenses	50,694	49,781	50,857
Operating loss	(8,844)	(21,796)	(11,791)
Interest expense, net	(3,428)	(17,229)	(15,470)
Interest expense, related party	(14,662)	(352)	—
Transition services income	—	349	5,814
Loss on debt extinguishment	—	(23,741)	—
Other (expense) income, net	(3,052)	(1,159)	760
Change in fair value of debt derivative liability, related party	39,500	—	—
Net income (loss) from continuing operations before taxes	9,514	(63,928)	(20,687)
Provision for income tax (expense) benefit	(183)	(308)	5,211
Net income (loss) from continuing operations	9,331	(64,236)	(15,476)
Discontinued operations:			
Income (loss) from discontinued operations, net of tax	2,700	(35,327)	(101,929)
Income tax (expense) benefit	(18)	—	690
Income (loss) from discontinued operations	2,682	(35,327)	(101,239)
Net income (loss)	$ 12,013	$ (99,563)	$ (116,715)
Basic net income (loss) per share:			
Income (loss) from continuing operations	$ 0.31	$ (2.14)	$ (0.53)
Income (loss) from discontinued operations	0.09	(1.18)	(3.44)
Total basic net income (loss) per share	$ 0.40	$ (3.32)	$ (3.97)
Diluted net income (loss) per share:			
Income (loss) from continuing operations	$ 0.25	$ (2.14)	$ (0.53)
Income (loss) from discontinued operations	0.07	(1.18)	(3.44)
Total diluted net income (loss) per share	$ 0.32	$ (3.32)	$ (3.97)
Shares used in per share computation:			
Basic	30,474	29,958	29,466
Diluted	36,658	29,958	29,466

See accompanying notes to the consolidated financial statements.

LIFECORE BIOMEDICAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Year Ended		
	May 26, 2024	May 28, 2023	May 29, 2022
Net income (loss)	$ 12,013	$ (99,563)	$ (116,715)
Net unrealized gains on interest rate swaps, net	—	586	772
Total comprehensive income (loss)	$ 12,013	$ (98,977)	$ (115,943)

See accompanying notes to the consolidated financial statements.

LIFECORE BIOMEDICAL, INC.
CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS’ (DEFICIT) EQUITY
(In thousands)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders’ (Deficit) Equity
	Shares	Amount	Shares	Amount				
Balance at May 30, 2021	—	$ —	29,333	$ 29	$ 165,533	$ 37,742	$ (1,358)	$ 201,946
Issuance of stock under stock plans, net of shares withheld	—	—	180	1	—	—	—	1
Taxes paid by Company for employee stock plans	—	—	—	—	(789)	—	—	(789)
Stock-based compensation	—	—	—	—	2,608	—	—	2,608
Net loss	—	—	—	—	—	(116,715)	—	(116,715)
Other comprehensive income, net of tax	—	—	—	—	—	—	772	772
Balance at May 29, 2022	—	$ —	29,513	$ 30	$ 167,352	$ (78,973)	$ (586)	$ 87,823
Issuance of stock under stock plans, net of shares withheld	—	—	181	—	—		—	—
Proceeds from Convertible Preferred Stock, net of issuance costs	39	38,082	—	—	—	—	—	—
Accretion of Convertible Preferred Stock	—	73	—	—	(73)	—	—	(73)
Convertible Preferred Stock paid-in-kind (“PIK”) dividend	—	1,163	—	—	(1,163)	—	—	(1,163)
Taxes paid by Company for employee stock plans	—	—	—	—	(274)	—	—	(274)
Stock-based compensation	—	—	—	—	3,612	—	—	3,612
Net loss	—	—	—	—	—	(99,563)	—	(99,563)
Other comprehensive income, net of tax	—	—	—	—	—	—	586	586
Issuance of Common Stock, net of issuance costs	—	—	628	—	4,822	—	—	4,822
Balance at May 28, 2023	39	$ 39,318	30,322	$ 30	$ 174,276	$ (178,536)	$ —	$ (4,230)
Issuance of stock under stock plans, net of shares withheld	—	—	241	—	724	—	—	724
Accretion of Convertible Preferred Stock	—	191	—	—	(191)	—	—	(191)
Convertible Preferred Stock PIK dividend	3	3,078	—	—	(3,078)	—	—	(3,078)
Taxes paid by Company for employee stock plans	—	—	—	—	(152)	—	—	(152)
Stock-based compensation	—	—	—	—	6,229	—	—	6,229
Net income	—	—	—	—	—	12,013	—	12,013
Balance at May 26, 2024	42	$ 42,587	30,563	$ 30	$ 177,808	$ (166,523)	$ —	$ 11,315

See accompanying notes to the consolidated financial statements.

LIFECORE BIOMEDICAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended		
	May 26, 2024	May 28, 2023	May 29, 2022
Cash flows from operating activities:			
Net income (loss)	$ 12,013	$ (99,563)	$ (116,715)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	8,859	13,177	18,061
Loss on debt extinguishment	—	23,741	—
Stock-based compensation expense	6,201	3,612	2,608
Provision (benefit) for expected credit losses	263	163	(14)
Deferred taxes	163	357	(6,825)
Net loss on disposal of property and equipment	18	38	152
Non-cash restructuring and impairment of assets charges	1,402	640	—
Impairment of goodwill and long-lived and indefinite-lived assets	—	1,300	78,146
Loss on disposal of property and equipment related to restructuring, net	—	—	5,185
Gain on sale of BreatheWay	—	(2,108)	—
Loss on sale of Eat Smart	—	—	336
Loss on sale of Yucatan	—	20,663	—
Loss on sale of O Olive	—	319	—
Interest expense, related party	14,209	343	—
Change in debt derivative liability, related party	(39,500)	—	—
Other, net	—	86	(426)
Changes in current assets and current liabilities:			
Accounts receivable, net	(699)	19,941	(6,138)
Accounts receivable, related party	(1,693)	(9,117)	—
Inventories	862	(14,811)	(2,180)
Other assets	2,380	2,156	(689)
Accounts payable	(6,676)	16,038	9,343
Accrued compensation	1,388	(4,483)	(2,546)
Other accrued liabilities	319	3,982	(873)
Accrued interest - related party	453	9	—
Deferred revenues	536	(367)	(18)
Deferred revenues, related party	(715)	6,443	—
Net cash used in operating activities	(217)	(17,441)	(22,593)
Cash flows from investing activities:			
Purchases of property and equipment	(17,921)	(21,482)	(29,940)
Proceeds from sales of property and equipment	—	—	1,141
Eat Smart sale net working capital adjustment	—	—	(9,839)
Proceeds from the sale of divested business, net of cash acquired	—	16,671	73,500
Proceeds from sale of investment in non-public company	—	—	45,100
Net cash (used in) provided by investing activities	(17,921)	(4,811)	79,962
Cash flows from financing activities:			
Taxes paid by Company for employee stock plans	(152)	(274)	(789)
Principal payments on finance leases	(135)	—	—
Principal payments on equipment financing, related party	(579)	—	—
Proceeds from long-term debt, related party	—	150,000	—
Proceeds from long-term debt	—	—	20,000
Payments on long-term debt	—	(123,690)	(86,411)
Proceeds from revolving credit facility	149,586	31,450	55,111
Payments on revolving credit facility	(146,704)	(54,640)	(44,111)
Proceeds from exercise of stock options	724	—	—
Payments for debt issuance costs	(231)	(6,050)	(821)
Proceeds from long-term customer deposit	5,000	—	—
Proceeds from sale of common stock, net of issuance costs	—	4,822	—
Proceeds from sale of convertible preferred stock, net of issuance costs	—	38,082	—
Net cash provided by (used in) financing activities	7,509	39,700	(57,021)
Net (decrease) increase in cash and cash equivalents	$ (10,629)	$ 17,448	$ 348
Cash and cash equivalents, beginning of period	19,091	1,643	1,295
Cash and cash equivalents, end of period	$ 8,462	$ 19,091	$ 1,643
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest	$ 2,730	$ 31,024	$ 16,888

Cash paid during the period for income taxes, net of refunds received	$ 72	$ 23	$ 441
Supplemental disclosure of non-cash investing and financing activities:			
Purchases of property and equipment on trade vendor credit	$ 7,858	$ 6,945	$ 2,260
Convertible Preferred Stock PIK dividend	$ (3,078)	$ (1,163)	$ —
Debt derivative	$ —	$ 64,900	$ —

See accompanying notes to the consolidated financial statements.

LIFECORE BIOMEDICAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Organization

Lifecore Biomedical, Inc. and its subsidiaries ("Lifecore" or the "Company") is a fully integrated contract development and manufacturing organization ("CDMO") that offers capabilities in the development, fill and finish of complex sterile injectable pharmaceutical products in syringes, vials and cartridges.

The Company previously operated a natural food company, through its wholly-owned subsidiary, Curation Foods, Inc. ("Curation"), which was previously focused on the distribution of plant-based foods to retail, club, and food service channels throughout North America. However, upon the sale of the Divested Businesses (as defined below), the Company has ceased to operate the Curation foods business.

Basis of Presentation and Consolidation

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

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

Discontinued Operations

During the year ended May 28, 2023, the Company entered into agreements for the sale or disposition of its subsidiaries within the Curation business (a former segment), specifically O Olive Oil and Vinegar® ("O Olive"), Yucatan Foods, LLC ("Yucatan"), and BreatheWay® ("BreatheWay", and together with O Olive, Yucatan, and BreatheWay, the "Divested Businesses"). The Company completed the disposition of Yucatan and O Olive on February 7, 2023 and April 6, 2023, respectively.

On April 6, 2023, the Company completed the sale of its O Olive Oil and Vinegar Business ("O Olive Sale") for an aggregate sale price of $ 6.4 million, subject to certain customary post-closing adjustments, consisting of approximately $ 3.3 million in cash and a $ 3.1 million seller's note. The seller's note matures on March 31, 2026, accrues interest at a rate of 12 % payable in kind beginning on October 31, 2023, and is prepayable by the buyer at any time. Net proceeds from the transaction, $ 1.7 million, were used to repay borrowings under the Company's credit facilities. The Company recognized a loss on the O Olive Sale amounting to $ 0.3 million in the fourth quarter of fiscal year ended May 28, 2023, which is recorded in loss from discontinued operations in the Consolidated Statements of Operations. On September 28, 2023, December 11, 2023 and February 22, 2024, the Company received cash payments of $ 2.4 million, $ 0.3 million, and $ 18.0 thousand, respectively, toward the $ 3.1 million seller's note.

On February 7, 2023 (the "Yucatan Closing Date"), the Company, Camden Fruit Corp., a direct wholly owned subsidiary of Curation Foods and an indirect wholly owned subsidiary of the Company ("Camden" and together with the Curation Foods and the Company, the "Yucatan Sellers"), Yucatan Foods, LLC, a wholly owned subsidiary of the Camden ("Yucatan"), and Yucatan Acquisition Holdings LLC, a wholly owned subsidiary of Flagship Food Group LLC ("Buyer" and together with Yucatan and the Sellers, the "Parties") completed the sale (the "Yucatan Disposition") of the Company's avocado products business, including its Yucatan® and Cabo Fresh® brands, as well as the associated manufacturing facility and operations in Guanajuato, Mexico (the "Business"), pursuant to the terms of a securities purchase agreement executed by the Parties on February 7, 2023 (the "Securities Purchase Agreement"). Pursuant to the Securities Purchase Agreement, Buyer acquired all of the outstanding equity securities of Yucatan for a purchase price of $ 17.5 million in cash, subject to certain post-closing adjustments at closing, including selling costs, net working capital and other adjustments amounting to $ 5.0 million. The Company recognized a loss on the Yucatan Disposition of $ 20.7 million in the third quarter ended February 26, 2023. The loss on the Yucatan Disposition is recorded in loss from discontinued operations in the Consolidated Statement of Operations.

On June 2, 2022, the Company and Curation entered into and closed an Asset Purchase Agreement (the “BreatheWay Purchase Agreement”) with Hazel Technologies, Inc. (the “BreatheWay Purchaser”), pursuant to which Curation sold all of its assets related to BreatheWay packaging technology business to the BreatheWay Purchaser in exchange for an aggregate purchase price of $ 3.2 million (the “BreatheWay Disposition”). The BreatheWay Purchase Agreement included various representations, warranties and covenants of the parties generally customary for a transaction of this nature. In connection with the BreatheWay Disposition, the Company received net proceeds of $ 3.1 million and recorded a gain of $ 2.1 million in the Consolidated Statement of Operations for the year ended May 28, 2023.

On December 13, 2021, the Company and Curation (together, the “Eat Smart Sellers”), and Taylor Farms Retail, Inc. (“Taylor Farms” and together with the Eat Smart Sellers, the “Parties”) completed the sale (the “Eat Smart Disposition”) of Curation Foods’ Eat Smart business, including its salad and cut vegetable businesses (the “Eat Smart Business”), pursuant to the terms of an asset purchase agreement executed by the Parties on December 13, 2021 (the “Eat Smart Asset Purchase Agreement”). Pursuant to the Eat Smart Asset Purchase Agreement, Taylor Farms acquired the Business for a purchase price of $ 73.5 million in cash, subject to post-closing adjustments based upon net working capital at closing. As part of the Eat Smart Disposition, Taylor Farms acquired, among other assets related to the Eat Smart Business, the manufacturing facility and warehouses (and corresponding equipment) located in Bowling Green, Ohio and Guadalupe, California, as well as inventory, accounts receivable and accounts payable, intellectual property and information related to the Eat Smart Business, and assumed certain liabilities and executory obligations under the Company’s and Curation Foods’ outstanding contracts related to the Eat Smart Business, in each case, subject to the terms of the Eat Smart Asset Purchase Agreement. Upon the sale, the Company received net proceeds of $ 73.5 million and recorded a loss of $ 0.3 million, which is recorded in loss from discontinued operations in the Consolidated Statements of Operations.

The accounting requirements for reporting the Divested Businesses as discontinued operations were met when the Eat Smart Disposition, Yucatan Disposition and O Olive Sale were completed on each respective closing date. The BreatheWay Disposition did not meet the requirements for reporting the business as discontinued operations. Accordingly, the consolidated financial statements and notes to the consolidated financial statements reflect the results of the Eat Smart, Yucatan and O Olive businesses as a discontinued operation for the applicable periods. Refer to Note 11 - Discontinued Operations.

In connection with the sale of the Eat Smart, Yucatan and O Olive businesses, the Company entered into transition services agreements with each respective buyer to provide for a customary and orderly transition of the business, and such fees earned, and costs incurred for such transition services are included in continuing operations in subsequent periods. In fiscal year 2022, the Company earned $ 5.8 million of transition services income related to transition services provided related to the Eat Smart Disposition which is meant to defray costs incurred to provide the transition services which are reported within Selling, general and administrative costs. In fiscal year 2023, the Company earned similar transition services income of $ 0.3 million related to the Yucatan and O Olive dispositions. No transition services income was recorded during fiscal year 2024.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. The accounting estimates that require management’s most significant and subjective judgments include revenue recognition; recognition and measurement of current and deferred income tax assets and liabilities; the assessment of recoverability of long-lived and indefinite lived assets (including intangible assets and goodwill) and inventories; the valuation and recognition of stock-based compensation; and the valuation of debt derivative liability.

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

Reportable Segments

The Company operates as one reportable segment: Lifecore. This is based on the objectives of the business and how our chief operating decision maker, the President and Chief Executive Officer, regularly reviews and manages the business, monitors operating performance and allocates resources.

Concentrations of Risk

Cash and trade accounts receivable are financial instruments that potentially subject the Company to concentrations of credit risk. Our Company policy limits, among other things, the amount of credit exposure to any one issuer and to any one type of investment, other than securities issued or guaranteed by the U.S. government. The Company maintains cash in U.S. bank accounts, the balance of which may at times exceed the federally insured limit.

During the fiscal years ended May 26, 2024 and May 28, 2023, the Company had sales concentrations of 10% or greater from two customers, and for May 29, 2022, three customers had sales concentrations of 10% or greater, accounting for 39 % and 19 %; 39 % and 18 %; and 26 %, 22 % and 14 %, respectively.

Two of the Company's same customers had accounts receivable concentrations of 10% or greater, accounting for 34 % and 18 % of accounts receivable as of May 26, 2024, and 31 % and 18 %, as of May 28, 2023.

Cash and Cash Equivalents

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

Impairment of Long-Lived Assets

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

Financial Instruments

The Company's financial instruments are primarily composed of commercial-term trade payables, debt instruments, and derivative instruments. For short-term financial instruments, the historical carrying amounts approximate the fair value of the instruments.

Derivative Financial Instruments

The Company accounts for put and call options embedded in the term debt in accordance with ASC Topic 815, Derivatives and Hedging. ASC Topic 815 generally requires companies to bifurcate put and call options embedded in the Term Loan Credit Facility (as defined in Note 6 - Debt) from their host instruments and to account for them as free standing derivative financial instruments. In circumstances where the host instrument contains more than one embedded derivative instrument that is required to be bifurcated, the bifurcated derivative instruments are accounted for as separate derivative instruments.

The fair value of the embedded features are accounted for as a derivative debt liability in the Company's consolidated balance sheets and adjusted to fair value each reporting period. The change in fair value of derivatives is recorded as a component of other income (expense) in the Company's Consolidated Statements of Operations.

Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss) consists of two components, Net income (loss) and Other comprehensive (loss) income ("OCI"). OCI refers to revenue, expenses, and gains and losses that under GAAP are recorded as a component of stockholders' equity but are excluded from net loss. The Company's OCI consists of net deferred gains and losses on its interest rate swap derivative instruments. The interest rate swap matured in November 2022. The components of accumulated other comprehensive income ("AOCI"), net of tax, are as follows (in thousands):

		AOCI
May 30, 2021	$	(1,358)
Amounts reclassified from OCI		772
Other comprehensive income, net of tax effect of $(430)		772
May 29, 2022		(586)
Amounts reclassified from OCI		586
Other comprehensive income, net of tax effect of $ 16		586
May 28, 2023		—

Debt

The Company incurred debt origination costs related to the financing transactions (see Note 6 - Debt) and amortizes these costs over the life of the related debt using the straight-line method, which approximates the effective interest method, except for the Term Loan Credit Facility, related party, which amortizes the costs using the effective interest method. The unamortized portion of debt origination costs is recorded on the consolidated balance sheets as an offset to its related debt. Amortization of debt origination costs is included as a component of interest expense in the consolidated statements of operations.

Accounts Receivable, Sales Returns and Allowance for Credit Losses

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

The Company uses the loss rate method to estimate its expected credit losses on trade accounts receivable and contract assets. In order to estimate expected credit losses, the Company assessed recent historical experience, current economic conditions and any reasonable and supportable forecast to identify risk characteristics that are shared within the financial asset. These risk characteristics are then used to bifurcate the loss rate method into risk pools. The risk pools were determined based on the industries in which the Company operates. Historical credit loss for each risk pool is then applied to the current period aging as presented in the identified risk pool to determine the needed reserve allowance. At times when there are no current economic conditions or forecasts that may affect future credit losses, the Company has determined that recent historical experience provides the best basis for estimating credit losses. The Company makes all reasonable efforts to collect outstanding balances due from customers; however, trade receivables and contract assets are written off when the related balances are no longer deemed collectible.

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

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

The accounts receivable balances are as follows (in thousands):

	Year Ended					
	May 26, 2024		May 28, 2023		May 29, 2022	
Accounts receivable	$	31,864	$	29,509	$	38,836
Less: Allowance for credit losses		(711)		(485)		(522)
Accounts receivable, less allowance for credit losses	$	31,153	$	29,024	$	38,314

The changes in the allowance for credit losses related to accounts receivable are as follows (in thousands):

	Year Ended		
	May 26, 2024	May 28, 2023	May 29, 2022
Beginning balance	$ 485	$ 522	$ 522
Provision	263	163	—
Charge-offs	(37)	(200)	—
Ending Balance	$ 711	$ 485	$ 522

Contract Assets and Liabilities

Contract assets primarily relate to the Company's unconditional right to consideration for work completed but not billed at the reporting date. The Company's contract assets as of May 26, 2024, May 28, 2023 and May 29, 2022 were $ 4.1 million, $ 3.2 million and $ 10.4 million, respectively, and are included within accounts receivable in the Consolidated Balance Sheets. The related party portion of these contract assets as of May 26, 2024, May 28, 2023 and May 29, 2022 were $ 0.2 million, $ 0.1 million, and $ 0.0 million , respectively. Any incremental costs of obtaining a contract are expensed as incurred.

Contract liabilities primarily relate to payments received from customers in advance of performance under the contract.

Contract liabilities consisted of the following (in millions):	May 26, 2024	May 28, 2023	May 29, 2022
Current deferred revenues:			
Non related party (1)	$ 1.1	$ 0.6	$ 0.3
Related party (1)	1.0	3.5	0.6
Non-current deferred revenues:			
Related party (1)	4.7	2.9	—
Non-current customer deposit (2)	0.3	—	—
Total contract liabilities	$ 7.1	$ 7.0	$ 0.9

(1) These are separate lines on the consolidated balance sheet for these deferred revenues.
(2) This is with a non-related party and is included within other non-current liabilities on the consolidated balance sheet.

The increase as of May 28, 2023 as compared to May 29, 2022 relates to increased revenue with our largest customer. As of May 26, 2024, the Company had a $ 3.5 million contract liability related to customer-owned equipment purchased by the Company, which the customer paid in advance. The increase in current deferred revenue, non related party, is due to increased payments from customers in advance of performance under the contract. The net decrease in current deferred revenue, related party, relates to revenue recognized during fiscal year 2024. The $ 1.8 million increase in non-current deferred revenue, related party, is due to the $ 5.5 million prepayment (as discounted to $ 4.7 million) offset by $ 2.9 million that became current.

Revenues recognized during the fiscal years ended May 26, 2024, May 28, 2023 and May 29, 2022, that were included in the contract liability balance at the beginning of fiscal year 2024, 2023 and 2022, respectively, were $ 6.8 million, $ 0.6 million and $ 0.4 million, respectively.

Deferred Revenue

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

Revenue Recognition

The Company follows the five step, principles-based model to recognize revenue upon the transfer of promised goods or services to customers and in an amount that reflects the consideration for which the Company expects to be entitled in exchange for those goods or services. Revenue, net of estimated allowances and returns, is recognized when or as the Company satisfies its performance obligations under a contract and control of the product is transferred to the customer.

Lifecore generates revenue from two integrated activities: CDMO and Fermentation. CDMO is comprised of aseptic and development services. Lifecore’s standard terms of sale are generally included in its contracts and purchase orders. Shipping and other transportation costs charged to customers are recorded in both revenue and cost of goods sold. Lifecore has elected to account for shipping and handling as fulfillment activities, and not as a separate performance obligation. Lifecore’s standard payment terms with its customers generally range from 30 days to 60 days.

CDMO - Aseptic

Lifecore provides aseptic formulation and filling of syringes, vials and cartridges with precisely formulated medical grade HA and non-HA materials for injectable products used for medical purposes. In instances where our customers contract with us to aseptically fill syringes, vials or cartridges with our HA, the goods (syringes, vials, cartridges and HA) are distinct in the context of the contract. Lifecore generally recognizes revenue for these products at the point in time when the product is released through the completion of the certificate of analysis or at the time the shipment is made or upon delivery of the product.

CDMO - Development Services

Lifecore provides product development services to assist its customers in obtaining regulatory approval for the commercial sale of their device or drug product. These services include activities such as technology development, material component changes, analytical method development, formulation development, pilot studies, stability studies, process validation, production of proprietary materials for use within clinical studies and the transfer of proprietary process documentation and results of validation to the customers. Lifecore’s customers benefit from the expertise of the Company’s scientists who have extensive experience performing such tasks and from the proprietary documentation and validation of processes that are received upon completion of the services that can be used by the customers.

Each of the promised goods and services are not distinct in the context of the contract as the goods and services are highly interdependent and interrelated. The services described above are significantly affected by each other because Lifecore would not be able to fulfill its promise by transferring each of the goods or services independently.

Revenues generated from development services arrangements are recognized over time as Lifecore is creating an asset without an alternate use as it is unique to the customer. Furthermore, the Company has an enforceable right to payment for the performance completed to date for its costs incurred in satisfying the performance obligation plus a reasonable profit margin. For each of the development activities performed by Lifecore as described above, labor is the primary input (i.e., labor costs represent the majority of the costs incurred in the completion of the services). The Company determined that labor hours are the best measure of progress as it most accurately depicts the effort extended to satisfy the performance obligation over time and therefore recognizes development services revenue over time based on the proportion of labor hours incurred compared to total estimated hours for an individual arrangement.

Fermentation

Lifecore manufactures and sells pharmaceutical-grade, sterile and non-sterile HA in bulk form to its customers. The HA produced is distinct as customers are able to utilize the product provided under HA supply contracts when they obtain control. Lifecore recognizes revenue for these products at the point in time when legal title to the product is transferred to the customer, which is at the time that shipment is made or upon delivery of the product to our customer.

The Company is party to a bill-and-hold arrangement with a customer under which $ 2.7 million and $ 3.2 million of revenues were recognized in the years ended May 26, 2024 and May 28, 2023, respectively. Revenue for bill-and-hold arrangements is recognized when control transfers to the customer, even though the customer does not have physical possession of the goods. Control transfers when the bill-and-hold arrangement has been determined to have substantive reason, the product is identified as belonging to the customer, the product is ready for physical transfer to the customer and the product cannot be used or directed to another customer.

The Company disaggregates its revenue based on how it markets its products and services and reviews results of operations. The following tables disaggregates revenue by major product lines and services (in thousands):

	Year Ended		
	May 26, 2024	May 28, 2023	May 29, 2022
CDMO	$ 96,616	$ 76,378	$ 86,353
Fermentation	31,645	26,891	23,007
Other	—	—	1,910
Total	$ 128,261	$ 103,269	$ 111,270

CDMO - Development Services revenues recognized over time were $ 29.4 million, $ 28.6 million and $ 35.8 million for the years ended May 26, 2024, May 28, 2023 and May 29, 2022, respectively. Revenues recognized for product sales at a point in time were $ 98.9 million, $ 74.6 million and $ 73.6 million for the years ended May 26, 2024, May 28, 2023 and May 29, 2022, respectively.

The Company identified certain elements of its agreements with customers for CDMO - Development Services in which the Company is the principal in those contracts, and therefore, recognizes revenues on a gross basis.

Shipping and Handling Costs

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

Amended and Restated Supply Agreement

On December 22, 2023, the Company entered into an amended and restated supply agreement with a customer (the “Amended Supply Agreement”). The key provisions of the Amended Supply Agreement included an extension of the agreement’s term for certain products through March 31, 2024, revised pricing for certain product purchase orders dated November 1, 2023, and the payment of a $ 5.0 million working capital deposit to the Company. The working capital deposit was received on December 22, 2023 and (i) may be used for any corporate purpose; (ii) will not accrue interest; and (iii) is required to be repaid, subject to certain defined provisions, upon the termination of the Amended Supply Agreement. On March 14, 2024, this agreement was amended and extended through December 31, 2026.

Inventories, net

Inventories primarily consist of in-process and finished goods related to sterile injectable pharmaceutical products in syringes, vials and cartridges. This includes premium, pharmaceutical grade HA in bulk form as well as formulated and filled syringes, vials and cartridges for injectable products used in treating a broad spectrum of medical conditions and procedures.

Inventories are stated at the lower of cost (using the first-in, first-out method) or net realizable value. As of May 26, 2024 and May 28, 2023, inventories consisted of the following (in thousands):

	Year Ended	
	May 26, 2024	May 28, 2023
Finished goods	$ 14,924	$ 13,141
Raw materials	14,555	17,735
Work in process	11,915	10,349
Inventory reserve	(1,415)	(384)
Total inventories	$ 39,979	$ 40,841

The Company has costs adjustments of $ 0.8 million and $ 4.9 million to reduce inventory to its net realizable value as of May 26, 2024 and May 28, 2023, respectively.

The amounts reflected in cost of goods sold to record inventory to its net realizable value were income of $ 4.1 million and expenses of $ 0.3 million and $ 3.5 million for fiscal years 2024, 2023 and 2022, respectively.

The Company's inventories serve as part of the collateral for certain of the Company's debt arrangements. Refer to Note 6 - Debt for additional discussion on the Company's debt arrangements and related collateral.

Investment in Non-Public Company

On February 15, 2011, the Company made an investment in Windset which is reported at fair value in the accompanying Consolidated Balance Sheets as of May 30, 2021. The Company has elected to account for its investment in Windset under the fair value option. See Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies for further information. On June 1, 2021, the Company sold all of its equity interest in Windset to the Newell Capital Corporation and Newell Brothers Investment 2 Corp.

Advertising Expense

Advertising expenditures for the Company are expensed as incurred and included in selling, general, and administrative in the accompanying Consolidated Statements of Operations. Advertising expenses for the Company for fiscal years ended May 28, 2023 and May 29, 2022 was $ 5.1 thousand and $ 5.6 thousand, respectively. There were no advertising expenses for fiscal year ended 2024.

Related Party Transactions

The Company has reflected the related party balances on the face of its financial statements beginning in the period which Alcon Research, LLC ("Alcon") became a related party, which was as of May 22, 2023 at the time Alcon provided financing to the Company. Prior to providing financing, and continuing subsequently, Alcon was/is a significant customer of the Company. Refer to Note 6 - Debt for additional discussion on the Company's debt agreements with Alcon.

Securities Purchase Agreement

On November 25, 2022, the Company entered into a Securities Purchase Agreement (the "Wynnefield Purchase Agreement") with entities affiliated with Wynnefield Capital, Inc. and controlled by the Company's director, Nelson Obus (the "Wynnefield Purchasers"). Pursuant to the Wynnefield Purchase Agreement, the Company agreed to sell an aggregate of 627,746 shares of its Common Stock (the "Shares") for aggregate gross proceeds of $ 5.0 million (the "Offering"). The purchase price for each Share was $ 7.97 . The Offering closed on November 25, 2022. Pursuant to the Wynnefield Purchase Agreement, the Company granted the Wynnefield Purchasers certain piggyback registration rights and agreed, among other things, to indemnify such parties under any registration statement filed that includes the Shares from certain losses, claims, damages and liabilities.

Series A Convertible Preferred Share Purchase Agreement

On January 9, 2023, the Company simultaneously signed and closed the Preferred Share Purchase Agreement with a group of qualified investors (the "Purchasers"), including, among others, entities controlled by the Company's directors Christopher Kiper and Nelson Obus. Pursuant to the Preferred Share Purchase Agreement, the Company issued and sold an aggregate of 38,750 shares of a new series of convertible preferred stock of the Company designated as Series A Convertible Preferred Shares, par value $ 0.001 per share (the "Convertible Preferred Stock") for aggregate proceeds of $ 38.8 million. Each share of Convertible Preferred Stock has the powers, designations, preferences and other rights as are set forth in the Certificate of Designations of the Series A Preferred Stock filed by the Company with the Delaware Secretary of State on January 9, 2023 (the "Certificate of Designations"). The Convertible Preferred Stock ranks senior to the Company's Common Stock with respect to dividends, distributions, and payments on liquidation, winding up and dissolution.

Upon a liquidation, dissolution, winding up or change of control of the Company, each share of Convertible Preferred Stock will be entitled to receive an amount per share of Convertible Preferred Stock equal to the greater of (i) the purchase price paid by the Purchaser, plus all accrued and unpaid dividends (the "Liquidation Preference") and (ii) the amount that the holder of Convertible Preferred Stock (each, a "Holder" and collectively, the "Holders") would have been entitled to receive at such time if the Convertible Preferred Stock had been converted into Common Stock immediately prior to such liquidation event.

The Holders will be entitled to dividends on the Liquidation Preference at the rate of 7.5 % per annum, payable in-kind. The Company may, at its option, pay such dividends in cash from and after the earlier of June 29, 2026, or the termination or waiver of the restriction on cash dividends and/or redemptions that is set forth in the Credit Agreements (as defined in the

Certificate of Designations) (such earlier date, the “Applicable Date”). The Holders are also entitled to participate in dividends declared or paid on the Common Stock on an as-converted basis.

Upon certain bankruptcy events, the Company is required to pay to each Holder an amount in cash equal to the Liquidation Preference being redeemed. From and after the Applicable Date, each Holder shall have the right to require the Company to redeem all or any part of the Holder’s Convertible Preferred Stock for an amount equal to the Liquidation Preference.

Each Holder of Convertible Preferred Stock has the right, at its option, to convert its Convertible Preferred Stock, in whole or in part, into fully paid and non-assessable shares of our Common Stock at an initial conversion price equal to $ 7.00 per share. The conversion price is subject to customary anti-dilution adjustments, including in the event of any stock split, stock dividend, recapitalization or similar events, and is also subject to adjustment in the event of subsequent offerings of Common Stock or convertible securities by the Company for less than the conversion price.

Subject to certain conditions, the Company may from time to time, at its option, require conversion of all or any portion of the outstanding shares of Convertible Preferred Stock to Common Stock if, for at least 20 consecutive trading days during the respective measuring period the closing price of the Common Stock was at least 150 % of the conversion price. The Company may not exercise its right to mandatorily convert outstanding shares of Convertible Preferred Stock unless certain liquidity conditions with regard to the shares of Common Stock to be issued upon such conversion are satisfied.

The Holders are entitled to vote with the holders of the shares of Common Stock on all matters submitted for a vote of holders of shares of Common Stock (voting together with the holders of shares of Common Stock as one class) on an as-converted basis, subject to certain limitations.

Additionally, for so long as 30 % of the outstanding Convertible Preferred Stock remains outstanding, certain matters will require the approval of the majority of the outstanding Convertible Preferred Stock, voting as a separate class, including (i) amending, altering or repealing any provision of the Certificate of Designations; (ii) amending, altering or repealing any provision of the Company’s Certificate of Incorporation or Bylaws, in each case, in a manner that adversely affects the powers, preferences or rights of the Convertible Preferred Stock; (iii) increasing or decreasing the authorized number of shares of Convertible Preferred Stock (except to provide for the issuance of PIK dividends); (iv) creating (including by reclassification), issuing shares of or increasing the authorized number of shares of any additional class or series of capital stock of the Company unless such class or series rank junior to the Convertible Preferred Stock and are issued at fair market value; (v) purchasing or redeeming or paying, declaring or setting aside any fund for, any dividend or distribution on, any Common Stock or other Junior Stock (as defined in the Certificate of Designations), other than purchases of equity securities of the Company upon the termination of an employee of the Company or any of its subsidiaries in accordance with the terms of such employee’s employment agreement or any equity incentive or similar plan approved by the Board; or (vi) creating, incurring, granting, entering into, permitting, assuming or allowing, directly or indirectly, (a) any indebtedness by the Company (or any of its subsidiaries), excluding equity securities and non-convertible preferred stock (but including convertible debt), at any time when, or as a result of which, the principal amount of the Company’s total outstanding and available indebtedness exceeds $ 175.0 million, or (b) any lien, charge or other encumbrance on all or substantially all of the Company’s (or any of its subsidiaries’) properties or assets.

Immediately following the closing of a preferred share repurchase agreement, two Series A Convertible Preferred Stock directors, Nathaniel Calloway and Christopher Kiper, were appointed to the Company’s Board of Directors.

Alcon Supply Agreement

On May 3, 2023, the Company entered into an Amended and Restated Supply Agreement (the “ Supply Agreement ”), dated May 3, 2023, with Alcon, which amended and restated certain existing supply agreements entered into between the Company and Alcon-Couvreur N.V., an affiliate of Alcon, related to the Company’s manufacture and supply of HA for Alcon.

The initial term of the Supply Agreement expires December 31, 2033. Following the initial term, the Supply Agreement automatically extends for an additional two-year term unless Alcon provides the Company with a notice of non-renewal prior to the expiration of the initial term. The Supply Agreement also contains certain termination provisions which provide that the agreement may be terminated (a) by Alcon upon six months’ written notice to the Company, or (b) by either party if the other party fails to perform or otherwise breaches any of its material obligations under the Supply Agreement, the non-breaching party notifies the breaching party of its intent to terminate the Supply Agreement, and the breaching party fails to cure such breach.

The Supply Agreement contains terms and provisions customary for transactions of this type, including product warranties and confidentiality and indemnification obligations. Orders of HA pursuant to the Supply Agreement are based on customary forecasting mechanics and are payable by Alcon based on certain prices that are subject to annual index-based adjustments. Pursuant to the Supply Agreement, the Company is also required to commit certain HA manufacturing capacity based on Alcon's forecasts. Alcon and the Company have also agreed to negotiate in good faith to finalize a plan to increase the Company's HA manufacturing capacity to meet the anticipated volumes. In the event the Company is unable to supply the agreed-upon volumes and safety stock pursuant to the Supply Agreement, under certain circumstances, Alcon will be entitled to certain rights with respect to the manufacturing and supply of HA for Alcon.

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

Amended and Restated Contract Manufacturing Agreement

On December 31, 2023, the Company entered into an Amended and Restated Contract Manufacturing Agreement (the "Amended and Restated CMA"), with Alcon, which amended and restated the existing contract manufacturing agreement between the Company and Alcon related to the Company's aseptic manufacturing of a variety of ophthalmic viscoelastic injection devices.

The initial term of the Amended and Restated CMA expires December 31, 2031, subject to earlier termination by Alcon under certain circumstances or by either party for a material breach by the other party that is not cured after notice and an opportunity to cure.

The Amended and Restated CMA contains terms and provisions customary for transactions of this type, including forecast and purchase order procedures, prices that are subject to annual index-based adjustments, minimum purchase obligations, on-time-in-full service level metrics and remedies, product warranties and confidentiality and indemnification obligations. In the event the Company is unable to meet specified metrics pursuant to the Amended and Restated CMA, under certain circumstances, Alcon will be entitled to certain financial concessions, as well as certain rights and documents with respect to Alcon purchase orders until applicable metrics are met.

On May 2, 2024, the Company entered into an amendment to the Amended and Restated CMA, in which Alcon made a prepayment in the amount of $5.5 million in cash as an advance on future purchases in deferred revenue, related party. Under the terms, Alcon is entitled to apply the prepayment towards invoices issued by the Company within the scope of the agreement during calendar year 2026.

Alcon Supply Agreement Amendment

On December 31, 2023, the Company entered into Amendment No. 1 (the "Supply Agreement Amendment") to the Supply Agreement, related to the Company's manufacture and supply of HA for Alcon.

The Supply Agreement Amendment provides Alcon with the option to purchase a new filter dryer (the "Filter Dryer"), for use by the Company to expand the Company's capacity to produce certain ingredients for Alcon, which may be exercised by Alcon by written notice. If Alcon exercises the option, all associated costs to acquire and install the Filter Dryer at the Company's facilities would be paid in full by Alcon. The Filter Dryer would be deemed the property of Alcon. The Filter Dryer would be solely and exclusively used for the manufacturing of ingredients for Alcon and only to the extent needed to meet Alcon purchase orders in excess of a certain specified committed capacity. After the Filter Dryer is installed, the Company will be committed to a revised specified amount of production capacity to Alcon, and Alcon will commit to purchase a specified percentage of its global annual requirements for certain ingredients from the Company.

Property and Equipment and Finite-Lived Intangible Assets

Property and equipment and finite-lived intangible assets are stated at cost. Expenditures for major improvements are capitalized while repairs and maintenance are charged to expense. Depreciation is expensed on a straight-line basis over the estimated useful lives of the respective assets. Customer relationships are amortized to operating expense on a basis that reflects the pattern in which the economic benefits are consumed. Leasehold improvements are amortized on a straight-line basis over the lesser of the economic life of the improvement or the life of the lease. Depreciation and amortization expense for these assets is recorded either in cost of goods sold or selling, general and administrative expenses in the Consolidated Statements of Operations, depending on the asset and its intended use. The Company capitalizes interest on long-term construction in process projects based on its incremental borrowing rate.

The Company capitalizes software development costs for internal use. Capitalization of software development costs begins in the application development stage and ends when the asset is placed into service. The Company amortizes such costs on a straight-line basis over estimated useful lives of three to seven years, and the amortization expenses is recorded either in cost of goods sold or selling, general and administrative expenses in the Consolidated Statements of Operations, depending on the asset and its intended use.

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

During fiscal year 2022, the Company recorded impairment charges of $ 5.8 million and $ 11.9 million related to Yucatan's customer relationships, and property and equipment, respectively. These impairment charges were primarily a result of an indication of a decrease in the fair market values of the Yucatan businesses driven by lower market valuations and a decrease in projected cash flows. The Yucatan related impairment charges are included in Loss from discontinued operations on the Consolidated Statements of Operations. Refer to Note 3 - Property and Equipment for discussion of any impairments during fiscal years 2024 and 2023.

Impairment Review of Goodwill and Indefinite-Lived Intangible Asset

The Company tests its goodwill and trademarks with indefinite lives annually for impairment in the fiscal fourth quarter or earlier if there are indications during a different interim period that these assets may have become impaired.

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

With respect to goodwill, the Company has the option to first assess qualitative factors such as macro-economic conditions, industry and market environment, cost factors, overall financial performance of the Company, cash flow from operating activities, market capitalization, litigation, and stock price. If the result of a qualitative test indicates a potential for impairment of a reporting unit, a quantitative test is performed. The quantitative test compares the carrying amount of a reporting unit that includes goodwill to its fair value. The Company determines the fair value using a combination of the income and market approaches.

To determine the fair value of a reporting unit as part of its quantitative test, the Company considers both the market and income approach as it believes that this approach is the most reliable indicator of the fair value of its businesses and the fair value of their future earnings and cash flows. The income approach is a discounted cash flow ("DCF") method which requires significant judgments. The Company estimates the future cash flows and discounts these cash flows at a rate of return that reflects their relative risk. The cash flows used in the DCF method are consistent with those the Company uses in its internal planning, which gives consideration to actual business trends experienced, and the broader business strategy for the long term. The other key estimates and factors used in the DCF method include, but are not limited to, future volumes, net sales and expense growth rates, gross margin and gross margin growth rates, and the discount rate applied. Changes in such estimates or the application of alternative assumptions could produce different results. A goodwill impairment loss is recognized for the amount that the carrying amount of a reporting unit, including goodwill, exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit.

For trademarks and other intangible assets with indefinite lives, the Company first assesses qualitative factors such as macro-economic conditions, industry and market environment, cost factors, overall financial performance of the Company, litigation, and changes in the business in its annual, qualitative analysis to test for impairment. If the results of a qualitative test indicate a potential for impairment of an intangible asset with an indefinite life, a quantitative test is performed. The quantitative test compares the estimated fair value of an asset to its carrying amount. If the carrying amount of such asset exceeds its estimated fair value, an impairment charge is recorded for the difference between the carrying amount and the estimated fair value. The Company uses the discounted cash flow - income approach to estimate the fair value of its trademarks. This approach requires significant judgments in determining the royalty rates and the assets' estimated cash flows as well as the appropriate discount rates applied to those cash flows to determine fair value. Changes in such estimates or the use of alternative assumptions could produce different results.

During fiscal year 2022, the Company recorded impairment charges of $ 32.1 million and $ 20.0 million related to its Eat Smart business and Yucatan goodwill, respectively. The Company also recorded an impairment charge of $ 8.4 million related to its Yucatan trademarks. These impairment charges were primarily a result of an indication of a decrease in the fair market values of the Eat Smart and Yucatan businesses driven by lower market valuations and a decrease in projected cash flows. The Eat Smart and Yucatan impairment charges are included in Loss from discontinued operations within the Consolidated Statements of Operations.

During fiscal year 2023, the Company recorded an impairment charge of $ 1.0 million related to Yucatan indefinite-lived intangible asset related to trademarks/tradenames. In addition, during the quarter ended November 27, 2022, the Company recorded an impairment charge of $ 0.3 million related to O Olive's indefinite-lived intangible asset for their trademarks/tradenames. The impairments were determined using the royalty savings method to estimate the fair value of its trademarks and was primarily a result of an indication of a decrease in the fair market value of the Yucatan and O Olive businesses driven by lower market valuations and a decrease in projected cash flows. The impairment charges are included in Loss from sales in discontinued operations on the Consolidated Statements of Operations.

During fiscal year 2024, the Company performed its annual impairment evaluation on the 1st day of the fourth quarter in accordance with its accounting policy and concluded its goodwill and indefinite-lived intangible assets were not impaired. As of May 26, 2024, the Company completed is qualitative assessment and determined that a reduction in the forecasted fiscal year 2025 revenue was considered to be a "trigger event" requiring another quantitative assessment to be performed as of that date, and concluded its goodwill and indefinite-lived intangible assets were not impaired.

Leases

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

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

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

Income Taxes

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

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

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

Per Share Information

Accounting guidance requires the presentation of basic and diluted earnings per share. Basic earnings per share exclude any dilutive effects of stock options, restricted stock unit ("RSU"), performance share units ("PSU") and convertible securities and is computed using the weighted average number of common shares outstanding. Diluted earnings per share reflect the potential dilution as if securities or other contracts to issue Common Stock were exercised or converted into Common Stock. Diluted common equivalent shares consist of preferred stock, stock options, RSUs and PSUs. Dilution related to stock options, RSUs and PSUs is calculated using the treasury stock method. The potential dilutive effect of the Convertible Preferred Stock is calculated using the if-converted method assuming the conversion as of the earliest period reported or at the date of issuance, if later, but are excluded if their effect is anti-dilutive.

The following table sets forth the computation of diluted net income (loss) per share:

	Year Ended		
(in thousands, except per share amounts)	May 26, 2024	May 28, 2023	May 29, 2022
Numerator:			
Net Income (loss) from continuing operations	$ 9,331	$ (64,236)	$ (15,476)
Income (loss) from discontinued operations, net of tax	2,682	(35,327)	(101,239)
Net income (loss)	$ 12,013	$ (99,563)	$ (116,715)
Denominator:			
Weighted average shares for basic income per share	30,474	29,958	29,466
Potential preferred stock conversion to common stock	5,847	—	—
Dilutive stock options, RSUs, and PSUs	337	—	—
Weighted average shares for diluted income per share	36,658	29,958	29,466
Basic income (loss) per share:			
Income (loss) from continuing operations	$ 0.31	$ (2.14)	$ (0.53)
Income (loss) from discontinued operations	0.09	(1.18)	(3.44)
Total basic income (loss) per share	$ 0.40	$ (3.32)	$ (3.97)
Diluted income (loss) per share:			
Income (loss) from continuing operations	$ 0.25	$ (2.14)	$ (0.53)
Income (loss) from discontinued operations	0.07	(1.18)	(3.44)
Total diluted income (loss) per share	$ 0.32	$ (3.32)	$ (3.97)

Due to the Company's net loss for the fiscal years 2023, and 2022, the net loss per share includes only the weighted average shares outstanding and thus excludes the potential dilutive effect of 86,992 and 188,393 RSUs; 19,080 and 28,709 PSUs; zero and 18,269 stock options; and 39,420 and zero Convertible Preferred Stock, respectively, as such impact would be antidilutive. All antidilutive items relate to the Company's continuing operations. See Note 2 – Convertible Preferred Stock for more information on outstanding Convertible Preferred Stock and Note 5 – Stock-based Compensation and Stockholders' Equity more information on outstanding stock options, RSUs and PSUs.

Research and Development Expenses

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

Accounting for Stock-Based Compensation

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

The estimated fair value for stock options, which determines the Company's calculation of stock-based compensation expense, is based on the Black-Scholes option pricing model. The use of Black-Scholes requires the Company to make estimates and assumptions, such as expected volatility, expected term, and risk-free interest rate. RSUs are valued at the closing market price of the Company's Common Stock on the date of grant. The Company uses the straight-line single option method to calculate and recognize the fair value of stock-based compensation arrangements. PSU valuation is done through the use of a Monte Carlo simulation model.

Employee Savings and Investment Plans

The Company sponsors a 401(k) plan ("Lifecore Plan"), which is available to all full-time Lifecore employees and allows participants to contribute from 1% to 50 % of their salaries, up to the Internal Revenue Service limitation into designated investment funds. The Company matches 100 % on the first 3 % and 50 % on the next 2 % contributed by an employee. Employee and Company contributions are fully vested at the time of the contributions. The Company retains the right, by action of the Board of Directors, to amend, modify, or terminate the plan. For fiscal years ended May 26, 2024, May 28, 2023 and May 29, 2022, the Company contributed $ 1.7 million, $ 1.5 million and $ 1.4 million**,** respectively, to the Lifecore Plan.

Fair Value Measurements

The Company uses fair value measurement accounting for financial assets and liabilities and for financial instruments and certain other items measured at fair value.

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

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

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

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

Cash is stated at cost, which approximates its fair value. The carrying amounts reported in the balance sheets for accounts receivable, accounts payable, accrued liabilities, revolving credit facility approximate fair value, due to their short-term maturities.

Outstanding borrowings under the Company's Revolving Credit Facility are carried at cost, which approximates their fair value as of May 26, 2024 and May 28, 2023, due to their short duration.

The Term Loan Credit Facility, related party, has a fair value of $ 124.7 million that exceeds its carrying value as of May 26, 2024. The Equipment Sale Finance Liability, related party, has a fair value of $ 6.4 million that is less than its carrying value as of May 26, 2024. As of May 28, 2023, the fair value of the Term Loan Credit Facility and Equipment Sale Finance Liability, related party, approximated their carrying value. The fair value of each of these financial instruments was estimated using discounted cash flow model using Level 3 inputs and assumptions.

The Term Loan Credit Facility (as defined in Note 6 – Debt) contains embedded derivatives requiring bifurcation as a multiple derivative instruments ("debt derivative liability"). The debt derivative liability related to the Term Loan Credit Facility is recorded as a discount to the long-term debt in the Condensed Consolidated Financial Statements. The embedded debt derivative liability is recorded at fair value, and remeasured every reporting period, with changes in fair value recognized as a component of other income (expense), net. The fair value of the embedded derivative liabilities associated with the Term Loan Credit Facility was estimated using a probability weighted discounted cash flow model. This involves significant Level 3 inputs and assumptions including (i) an estimated probability and timing of a change in control and event of default, and (ii) a risk-adjusted discount rate. At May 26, 2024 and May 28, 2023, the fair value of the embedded derivative liability approximated $ 25.4 million and $ 64.9 million, respectively.

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

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

	Fair Value at May 26, 2024			Fair Value at May 28, 2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Liabilities:						
Debt derivative liability, related party [1]	$ —	$ —	$ 25,400	$ —	$ —	$ 64,900
Total liabilities	$ —	$ —	$ 25,400	$ —	$ —	$ 64,900

[1] As of May 26, 2024 and May 28, 2023, the fair value of the debt derivative liability, related party, is included in non-current liabilities in the Company’s Consolidated Balance Sheets.

The key inputs to the valuation models that were utilized to estimate the fair value of the debt derivative liability, related party, were (i) a weighted average probability related to the timing of a change in control over the remaining term of the debt; (ii) the estimated probability related to an event of default of the Alcon Supply Agreement, as amended, weighted as to 30 days from the reporting date and at the end of the term of the Term Loan agreement.; and (iii) a risk-adjusted discount rate. Beginning in the second quarter of fiscal year 2024 and continuing through the third quarter of fiscal year 2024, there were sequential declines in the change in control probabilities assumptions in connection with the Company's review of the strategic alternatives initiative that significantly impacted the fair value of the debt derivative liability, related party. There was no change in the probability related to event of default of the Supply Agreement during fiscal year 2024.

Key inputs into the discount rate assumptions during the years ended May 26, 2024 and May 28, 2023 were as follows:

	Year Ended May 26, 2024	As of May 28, 2023
Assumptions		
Discount rate	21.3 % — 23.5 %	22.3 % — 24.5 %
Implied spread	16.8 % — 17.9 %	18.5 %
Risk free rate	4.3 % — 5.6 %	3.8 % — 6.0 %

The following table reflects the fair value roll forward reconciliation of Level 3 assets and liabilities measured at fair value (in thousands):

	Debt Derivative Liability
Balance as of May 29, 2022	$ —
Fair value on issuance	64,900
Balance as of May 28, 2023 (1)	$ 64,900
Decrease in fair value (2)	$ (39,500)
Balance as of May 26, 2024	$ 25,400

(1) At May 28, 2023, the fair value of the embedded derivative liability, related party, approximated the fair value upon issuance on May 22, 2023.

(2) For the year ended May 26, 2024, the decrease in fair value is recorded within "Change in fair value of debt derivative liability, related party" within the consolidated statement of operations.

Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation of related party balances. These changes did not have any effect on net loss, stockholders' equity, the statement of operations or the net change in cash, cash equivalents and restricted cash in the statement of cash flows.

Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board issued new guidance on income tax disclosures (ASU 2023-09, "Income Taxes Topic 740: Improvements to Income Tax Disclosures"). Among other requirements, this update adds specific disclosure requirements for income taxes, including: (1) disclosing specific categories in the rate reconciliation and (2) providing additional information for reconciling items that meet quantitative thresholds. The guidance is effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted. The Company is in the process of evaluating the impact of the adoption of ASU 2023-09 on the Company's condensed consolidated financial statements and disclosures.

In November 2023, the FASB issued new guidance on segment reporting (ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures"). The amendments in the ASU are intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15,

2024. Early adoption is permitted. The Company is in the process of evaluating the impact of the adoption of ASU 2023-07 on the Company's condensed consolidated financial statements and disclosures.

2. Convertible Preferred Stock

On January 9, 2023, the Company issued an aggregate of 38,750 shares of the Series A Convertible Preferred Stock, par value $ 0.001 per share (the "Convertible Preferred Stock"), all of which are convertible into shares of Common Stock at the election of the holders of the Convertible Preferred Stock, subject to the exchange and beneficial ownership limitations described below. The Convertible Preferred Stock ranks senior to the Company's Common Stock with respect to dividends, distributions and payments on liquidation, winding-up and dissolution. Upon issuance, the shares of the Convertible Preferred Stock are fully paid and non-assessable, which means that its holders have paid their purchase price in full and are not required to pay additional funds. The Company recorded the Convertible Preferred Stock net of issuance costs of $ 0.7 million. The issuance costs are being accounted for similar to a discount on the Convertible Preferred Stock that is being reduced over the period ending June 29, 2026 (using the effective interest method) as a charge to additional paid-in capital.

Dividends

The holders of Convertible Preferred Stock are entitled to dividends on the Liquidation Preference (as defined below) at the rate of 7.5 % per annum, payable in-kind. The Company may, at its option, pay such dividends in cash from and after the earlier of June 29, 2026, or the termination or waiver of the restriction on cash dividends and/or redemptions that is set forth in the Prior Credit Facilities (such earlier date, the "Applicable Date"). The holders are also entitled to participate in dividends declared or paid on the Common Stock on an as-converted basis.

Liquidation and Redemption

Upon a liquidation, dissolution, winding up or change of control of the Company, each share of Convertible Preferred Stock will be entitled to receive an amount per share of Convertible Preferred Stock equal to the greater of (i) the Liquidation Preference and (ii) the amount that the holder of Convertible Preferred Stock (each, a "Holder" and collectively, the "Holders") would have been entitled to receive at such time if the Convertible Preferred Stock had been converted into Common Stock immediately prior to such liquidation event. Upon certain bankruptcy events, the Company is required to pay to each Holder an amount in cash equal to the Liquidation Preference being redeemed. From and after the Applicable Date, each Holder shall have the right to require the Company to redeem all or any part of such Holder's Convertible Preferred Stock for an amount equal to the Liquidation Preference. At the time of a redemption, if the Company does not have sufficient funds to redeem any preferred shares submitted for redemption, each holder is entitled to receive interest on the unpaid portion of the redemption at 1 % per month until fully paid (the " 1 % contingent interest").

As of May 26, 2024 and May 28, 2023, the aggregate Liquidation Preference of the Convertible Preferred Stock approximated $ 43.0 million and $ 39.3 million, respectively.

Conversion

Each Holder has the right, at its option, to convert its Convertible Preferred Stock, in whole or in part, into fully paid and non-assessable shares of Common Stock at an initial conversion price equal to $ 7.00 per share. The conversion price is subject to customary anti-dilution adjustments, including in the event of any stock split, stock dividend, recapitalization or similar events, and is also subject to adjustment in the event of subsequent offerings of Common Stock or convertible securities by the Company for less than the conversion price. Pursuant to the terms of the Certificate of Designations of the Convertible Preferred Stock filed by the Company with the Delaware Secretary of State on January 9, 2023, unless and until approval of the Company's stockholders is obtained as contemplated by NASDAQ listing rules, no Holder may convert shares of Convertible Preferred Stock through either an optional or a mandatory conversion into shares of Common Stock if and solely to the extent that the issuance of such shares of Common Stock would exceed the aggregate number of shares of Common Stock that is equal to 19.99 % of the amount of Common Stock of the Company outstanding on the date on which we issued the Convertible Preferred Stock (the "Exchange Limit"). Additionally, subject to certain exceptions and waiver by each Holder, the Company will not issue any shares of Common Stock to any respective Holder to the extent that such issuance of Common Stock would result in such Holder beneficially owning in excess of 9.99 % of the then-outstanding Common Stock (together with the Exchange Limit, the "Conversion Limits"). Subject to certain conditions, the Company may from time to time, at its option, require conversion of all or any portion of the outstanding shares of Convertible Preferred Stock to Common Stock if, for at least 20 consecutive trading days during the respective measuring period the closing price of the Common Stock was at least 150 % of the conversion price (the "Mandatory Conversion Right"). The Company may not exercise this Mandatory Conversion Right unless certain conditions with regard to the shares of Common Stock to be issued upon such conversion are satisfied.

Voting

Each Holder is entitled to vote with the holders of the shares of Common Stock on all matters submitted for a vote of holders of shares of Common Stock (voting together with the holders of shares of Common Stock as one class). Each Holder is entitled the whole number of votes equal to the number of shares of Common Stock into which such Holder's shares of Convertible Preferred Stock would be convertible on the record date for the vote or consent (subject to the Conversion Limits).

Registration Rights Agreement

On January 9, 2023, in connection with the issuance of the Convertible Preferred Stock, the Company and the Holders also entered into a Registration Rights Agreement (the "Registration Rights Agreement") pursuant to which, among other things, the Company granted the Holders certain registration rights with respect to the shares of common stock issuable upon the conversion of the Convertible Preferred Stock. The Registration Rights Agreement contains monetary penalties if the Company fails to maintain the effectiveness of the registration statement. The Company expensed in fiscal year 2024 and 2023 and accrued as of May 26, 2024 and May 28, 2023, approximately $ 3.5 million and $ 0.5 million, respectively, in monetary penalties under the Registration Rights Agreement due to the delinquent filing of the Company's annual and quarterly reports with the SEC, which are included in Other (expense) income, net.

Classification

The Convertible Preferred Stock is redeemable by the holders after June 29, 2026. Until such date, it is redeemable contingent upon the occurrence of certain events. As a result, the Company has presented the Convertible Preferred Stock outside of permanent equity. The Convertible Preferred Stock was recorded at its issuance date fair value of the net proceeds raised. The current carrying value approximates fair value as it reflects the accumulation of the PIK dividends and accretion of the issue costs.

The Company recorded proceeds of $ 38.8 million, net of costs associated with the issuance of the Convertible Preferred Stock of $ 0.7 million, totaling $ 38.1 million. The discount to the proceeds arising from issuance costs is being amortized up to its full redemption value through June 29, 2026.

During the year ended of May 26, 2024, the Company recorded paid in-kind ("PIK") dividends of approximately $ 3.1 million as a reduction to Additional Paid-in Capital and an increase to the Convertible Preferred Stock balance. As of May 26, 2024 and May 28, 2023, there were approximately 42,460 shares and 39,420 shares, respectively, of Convertible Preferred Stock issued and outstanding.

3. Property and Equipment

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

	Years of Useful Life	Year Ended May 26, 2024	Year Ended May 28, 2023
Land		$ 3,739	$ 3,739
Buildings	15 - 40	62,874	60,688
Leasehold improvements	3 - 15	—	4,019
Computers, capitalized software, machinery, equipment and vehicles	3 - 25	69,303	75,181
Furniture and fixtures	3 - 7	1,631	2,182
Construction in process		61,385	45,587
Gross property and equipment		198,932	191,396
Less accumulated depreciation and amortization		(50,334)	(57,006)
Property and equipment, net		$ 148,598	$ 134,390

The major components of the construction in process are related to multi-purpose aseptic filler production lines, including the associated building modifications, to significantly increase manufacturing capacity. As of May 26, 2024, the estimated future costs to complete these projects approximate $ 10.4 million to be incurred in fiscal years 2025, 2026 and 2027 in the amounts of $ 5.2 million, $ 4.6 million, and $ 0.6 million, respectively.

Depreciation and amortization expense for property and equipment for the fiscal years ended May 26, 2024, May 28, 2023 and May 29, 2022 was $ 8.0 million, $ 10.3 million and $ 7.1 million, respectively. Amortization related to finance leases, which is included in depreciation and amortization expense, was $ 0.1 million for the fiscal years ended May 26, 2024, May 28, 2023, and May 29, 2022.

During fiscal years 2024, 2023 and 2022, the Company capitalized $ 0.2 million, $ 0.4 million, and $ 0.3 million in software development costs, respectively. Amortization related to capitalized software was $ 0.5 million, $ 0.5 million, and $ 0.4 million for fiscal years ended May 26, 2024, May 28, 2023 and May 29, 2022, respectively. The unamortized computer software costs as of May 26, 2024 and May 28, 2023 were $ 1.5 million and $ 1.8 million, respectively. Capitalized interest on construction projects was $ 3.2 million, $ 3.6 million, and $ 2.1 million for fiscal years ended May 26, 2024, May 28, 2023 and May 29, 2022, respectively.

4. Goodwill and Intangible Assets

Goodwill

Goodwill was $ 13.9 million as of both May 26, 2024 and May 28, 2023. There were no changes in goodwill during fiscal years 2024 and 2023. We have determined that Lifecore is the appropriate reporting unit for testing goodwill for impairment.

Intangible Assets

As of May 26, 2024 and May 28, 2023, the Company's intangible assets consisted of the following (in thousands):

		May 26, 2024		May 28, 2023	
	Amortization Period (years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	12	$ 3,700	$ 3,700	$ 3,700	$ 3,700
Trademarks/tradenames		4,200	—	4,200	—
Total intangible assets		$ 7,900	3,700	$ 7,900	$ 3,700

Amortization expense related to finite-lived intangible assets was $ 0.3 million for fiscal year 2022. As the finite-lived intangible assets were fully amortized as of May 29, 2022, there was no amortization expense during fiscal years 2023 and 2024 and there is no future amortization expense.

5. Stock-based Compensation and Stockholders' Equity

Common Stock and Stock Option Plans

Equity Inducement Plan and Separation Agreement

On March 20, 2024, the Board adopted and approved the Company's Equity Inducement Plan (the "Inducement Plan") and reserved 3,500,000 shares of the Company's common stock to be used exclusively for grants of equity awards to individuals that were not previously employees or directors of the Company (or who are returning to employment following a bona fide period of non-employment), as an inducement material to the individual's entry into employment with the Company. The Inducement Plan was adopted and approved without stockholder approval pursuant to Nasdaq Listing Rule 5635(c)(4). The terms and conditions of the Inducement Plan are substantially similar to the Company's stockholder-approved 2019 Stock Incentive Plan (described below).

On May 19, 2024, a Separation Agreement was entered into between James G. Hall (the Company's former President and Chief Executive Officer). The agreement included accelerated vesting on 270,000 RSUs and 92,545 stock options. Mr. Hall has six months to exercise the stock options, which have exercise prices ranging from $ 9.76 to $ 12.14 per share. As a result of these modifications, the Company recorded an additional $ 0.6 million stock-based compensation expense in the fourth quarter of the fiscal year ended May 26, 2024.

On May 20, 2024, under the Inducement Plan, the Company granted Mr. Paul Josephs, the Company's President and Chief Executive Officer: (i) a RSU award for 525,000 shares of the Company's common stock, which will vest and be settled as to 25,000 shares of the RSU vested immediately and 100,000 shares of the RSU will vest on each of the first five anniversaries of is grant date; and (ii) a PSU award for up to 1,500,000 shares, divided into ten 150,000 PSU tranches that will vest, if at all, based upon the closing price of the Company's stock over a five-year performance period, and to the extent the PSU award becomes vested, the Company will issue Mr. Josephs unrestricted shares of the Company's common stock on the vesting date in settlement of 50 % of the vested portion of that tranche of the PSU award and will issue Mr. Josephs unrestricted shares of the Company's common stock on the one year anniversary of the vesting date in settlement of the other 50 % of the vested portion of that tranche of the PSU award. A stock price hurdle was established for each of the 10 tranches, which resulted in a weighted average fair value for each tranche utilizing a Monte-Carlo valuation model. The grant-date fair value of these RSUs and PSUs was $ 3.1 million and $ 7.0 million, respectively, of which a total of $ 0.3 million was recognized within selling, general and administrative expense during the year ended May 26, 2024.

As of May 26, 2024, the Company had 1,475,000 common shares reserved for new awards under the Inducement Plan.

2019 Stock Incentive Plan

On October 16, 2019, following stockholder approval at the Annual Meeting of Stockholders of the Company, the 2019 Stock Incentive Plan (the "2019 Plan") became effective and replaced the Company's 2013 Stock Incentive Plan. Employees (including officers), consultants and directors of the Company and its subsidiaries and affiliates are eligible to participate in the 2019 Plan.

The 2019 Plan provides for the grant of stock options (both nonstatutory and incentive stock options), stock grants, stock units and stock appreciation rights. 2,000,000 shares of the Company's Common Stock (the "Plan Shares") were initially available for award under the 2019 Plan. On November 1, 2022, an additional 759,797 shares were authorized by the Company's stockholders. In addition, any awards forfeited or expired under the 2013 or 2009 plans become available for new awards under the 2019 Plan. Under the 2019 Plan, no recipient may receive awards during any fiscal year that exceeds the following amounts: (i) stock options covering in excess of 500,000 Plan Shares in the aggregate; (ii) stock grants and stock units covering in excess of 250,000 Plan Shares in the aggregate; or (iii) stock appreciation rights covering more than 500,000 Plan Shares in the aggregate. In addition, awards to non-employee directors are discretionary. However, a non-employee director may not be granted awards in excess of an aggregate fair market value of $ 120,000 during any fiscal year. The exercise price of the options is the fair market value of the Company's Common Stock on the date the options are granted.

At May 26, 2024, the Company had 725,747 common shares reserved for new awards under the 2019 Plan.

Grant Date Fair Value

The Company uses the Black-Scholes option pricing model to calculate the grant date fair value of stock option awards. The use of an option pricing model requires the Company to make estimates and assumptions, including the expected stock price volatility, expected life of option awards and risk-free interest rate which have a significant impact on the fair value estimates.

The following table displays the estimated fair value of stock option grants, and the weighted average assumptions utilized:

	Year Ended		
	May 26, 2024	May 28, 2023	May 29, 2022
Weighted-average grant date fair value	$ 3.91	$ 3.38	$ 2.62
Assumptions:			
Expected life (in years)	4.35	3.50	2.80
Risk-free interest rate	4.25 %	3.14 %	0.45 %
Volatility	58 %	39 %	33 %

The Company used a Monte-Carlo valuation model to estimate the fair value of the PSUs granted to the CEO on May 20, 2024. The main inputs to the model were the following:

Valuation Date	May 20, 2024
Stock Price	$ 5.94
Simulation Term	5.00 years
Expected Volatility	77.86 %
Risk-Free Rate	4.41 %
Dividend Yield	— %

Stock-Based Compensation Activity

A summary of the activity under the Company's stock option plans as of May 26, 2024 and changes during the fiscal year then ended is presented below:

	Options Outstanding	Weighted-Average Exercise Price Per Share	Aggregate intrinsic Value (in thousands)	Weighted-Average Remaining Contractual Term in Years
Options outstanding at May 28, 2023	2,374,325	$ 10.88	$ —	3.94
Options granted	8,400	$ 7.70		
Options exercised	(95,800)	$ 9.38	$ 115	
Options forfeited	(41,984)	$ 10.30		
Options expired	(132,350)	$ 11.85		
Options outstanding at May 26, 2024	2,112,591	$ 10.88	$ —	2.44
Options exercisable at May 26, 2024	1,885,323	$ 10.94	$ —	2.11

The fair value of stock options exercised during fiscal years 2024, 2023, and 2022 were $ 0.1 million, $ 0.0 million , and $ 0.3 million, respectively. The estimated fair value of stock options vested during the fiscal years ended May 26, 2024, May 28, 2023, and May 29, 2022, were $ 1.0 million, $ 1.5 million and $ 1.1 million, respectively.

A summary of the Company's RSU award activity as of May 26, 2024 and changes during the fiscal year then ended is presented below:

	Restricted Stock Units Outstanding	Weighted-Average Grant Date Fair Value Per Share
Restricted stock units outstanding at May 28, 2023	336,791	$ 9.70
Granted	1,584,005	$ 7.48
Vested	(180,942)	$ 7.74
Forfeited	(117,850)	$ 8.68
Restricted stock units outstanding at May 26, 2024	1,622,004	$ 7.83

The fair value of RSUs vested during fiscal years 2024, 2023, and 2022 were $ 1.3 million, $ 1.9 million, and $ 1.6 million, respectively. The weighted average grant date fair value per share for RSUs granted during fiscal years 2023 and 2022 were $ 9.59 and $ 11.98 , respectively. The weighted average grant date fair value per share for RSUs vested during fiscal years 2023 and 2022 were $ 10.79 and $ 11.41 , respectively.

A summary of the Company's PSU award activity as of May 26, 2024 and changes during the fiscal year then ended is presented below:

	Performance Stock Units Outstanding	Weighted-Average Grant Date Fair Value Per Share
PSU outstanding at May 28, 2023	—	$ —
Granted	1,500,000	$ 4.66
Vested	—	$ —
Forfeited	—	$ —
PSU outstanding at May 26, 2024	1,500,000	$ 4.66

Stock-Based Compensation Expense

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

	Year Ended		
(in thousands)	May 26, 2024	May 28, 2023	May 29, 2022
Continuing operations:			
Cost of sales	$ 582	$ 404	$ 314
Research and development	168	193	202
Selling, general and administrative	5,451	3,015	2,126
Discontinued Operations	—	—	(34)
Total stock-based compensation	$ 6,201	$ 3,612	$ 2,608

As of May 26, 2024, there was $ 14.3 million of total unrecognized compensation expense related to unvested equity compensation awards granted under the Company's stock incentive plans. Total expense is expected to be recognized over the weighted-average period of 1.02 years for stock options and 2.35 years for RSUs, and 1.66 years for PSUs.

The income tax benefit related stock-based compensation was $ 0.0 thousand for the year ended May 26, 2024. During the fiscal year ended May 26, 2024, the Company capitalized approximately $ 28.0 thousand of stock-based compensation; there were no stock-based costs capitalized during the fiscal years May 28, 2023 and May 29, 2022.

Convertible Preferred Stock

The Company has authorized 2,000,000 shares of convertible preferred stock, and as of May 26, 2024 and May 28, 2023 has 42,460 and 39,420 shares, respectively, of convertible preferred stock outstanding.

Stock Repurchase Plan

On July 14, 2010, the Board of Directors of the Company approved the establishment of a stock repurchase plan which allows for the repurchase of up to $ 10.0 million of the Company's Common Stock. The Company may repurchase its Common Stock from time to time in open-market purchases or in privately negotiated transactions. The timing and actual number of shares repurchased is at the discretion of management of the Company and will depend on a variety of factors, including stock price, corporate and regulatory requirements, market conditions, the relative attractiveness of other capital deployment opportunities and other corporate priorities. The stock repurchase program does not obligate the Company to acquire any amount of its Common Stock and the program may be modified, suspended or terminated at any time at the Company's discretion without prior notice. During fiscal years 2024, 2023 and 2022, the Company did no t repurchase any shares.

6. Debt

Long-term debt consists of the following as of May 26, 2024 and May 28, 2023 (in thousands):

	May 26, 2024	May 28, 2023
Term loan credit facility, related party	$ 157,313	$ 142,503
Equipment sale finance liability, related party	7,150	7,730
Total principal amount of long-term debt	164,463	150,233
Less: unamortized debt discount	(504)	(605)
Less: debt discount, related party	(62,367)	(64,792)
Total long-term debt, net of unamortized debt issuance costs	101,592	84,836
Less: current portion of long-term debt, net, related party	(773)	(580)
Long-term debt, net	$ 100,819	$ 84,256

The future minimum principal payments of the Company's term loan and equipment sale finance liability for each year presented are as follows (in thousands), excluding forecasted cash and PIK interest:

Fiscal year 2025	$ 773
Fiscal year 2026	773
Fiscal year 2027	773
Fiscal year 2028	773
Fiscal year 2029	773
Thereafter	160,598
Total	$ 164,463

Prior Term Loan Facility and Revolving Credit Facility

On December 31, 2020, the Company refinanced its previously existing term loan and revolving credit facility by entering into (i) a credit agreement with Goldman Sachs Specialty Lending Group, L.P. ("Goldman") and Guggenheim Credit Services, LLC, as lenders, which provided the Company, Curation Foods and Lifecore, as co-borrowers, with term loan borrowings of up to $ 170.0 million (the "Prior Term Loan Facility"), and (ii) a credit agreement with BMO Harris Bank, N.A. ("BMO") as lender, which provided the Company, Curation Foods and Lifecore, as co-borrowers, with an up to $ 75.0 million revolving line of credit (the "Revolving Credit Facility" and together with Prior Term Loan Facility, the "Prior Credit Facilities"). The Revolving Credit Facility is, and the Prior Term Loan Facility was, guaranteed, and secured by, substantially all of the Company's and the Company's direct and indirect subsidiaries' assets.

In April 2022, the Company amended the Prior Credit Facilities to make available an additional $ 20.0 million of term debt that had been previously repaid. In connection with this amendment, the Company incurred debt issuance costs from the lender of $ 0.7 million.

On January 9, 2023, the Company entered into further amendments to the Prior Credit Facilities to, among other things, provide for the limited waiver from events of default under the Prior Credit Facilities related to certain financial covenant requirements, as well as a waiver of certain existing terms and covenants under the Prior Term Loan Facility, including with respect to the fixed coverage ratio leverage ratio and minimum liquidity covenants, 2 % increase of annual interest rate, which was payable in kind, and a one-time amendment fee in an amount equal to 3 % of the principal amount as of January 9, 2023. This amendment also reduced the maximum commitment under the Revolving Credit Facility from $ 75.0 million to $ 60.0 million, which was further reduced to $ 40.0 million upon the sale of Yucatan.

The Prior Term Loan Facility would have matured on December 31, 2025. The Revolving Credit Facility matures on December 31, 2025.

Interest on the Revolving Credit Facility is based upon the Company's average availability, at a per annum rate of either (i) SOFR rate plus a spread of between 2.00 % and 2.50 % or (ii) base rate plus a spread of between 1.00 % and 1.50 %, plus a commitment fee, as applicable, of 0.375 % and plus (iii) for the period from December 1, 2022 until January 31, 2023, additional 2 % per annum. Interest on the Prior Term Loan Facility was at a per annum rate based on either (i) the base rate plus a spread of 7.50 % or (ii) the SOFR rate plus a spread of 8.50 %. The Prior Term Loan Facility also provided that in the event of a prepayment of any amount other than the scheduled installments within twelve months after the closing date, a penalty will be assessed equal to the aggregate amount of interest that would have otherwise been payable from date of prepayment event until twelve months after the closing date plus 3 % of the amount prepaid.

The Revolving Credit Facility contains, and the Prior Term Loan Facility contained, customary financial covenants and events of default under which the obligations thereunder could be accelerated and/or the interest rate increased in specified circumstances.

In connection with the January 2023 amendments to the Prior Credit Facilities, the Company incurred debt issuance costs from the lender and third parties of $ 4.2 million (comprised of $ 1.1 million in cash and $ 3.1 million PIK) and $ 62.5 thousand, respectively, during the year ended May 28, 2023.

Refinancing Transactions

Loss on Debt Extinguishment

On May 22, 2023, the Company entered into the New Term Loan Credit Facility (as defined below) with Alcon. The proceeds of this New Term Loan Credit Facility were used to repay the Prior Term Loan Facility in its entirety. In connection with the New Term Loan Facility, the Company recorded a loss on debt extinguishment in the consolidated statement of operations for the year ended May 28, 2023, amounting to $ 23.7 million, comprised of a prepayment penalty of $ 12.9 million, write-off unamortized deferred financing fees related to the Prior Term Loan Credit Facility of $ 7.6 million and third-party fees of $ 3.3 million.

Term Loan Credit Facility

On May 22, 2023, the Company and Alcon entered into a Credit and Guaranty Agreement (the “Term Loan Credit Facility”). The Term Loan Credit Facility refinanced in full all obligations of the Company and their subsidiaries under its prior term loan credit facility. Upon entry into the Term Loan Credit Facility, the Prior Term Loan Facility was terminated and all noncompliance with debt covenants were thereby cured.

The Term Loan Credit Facility provides for up to $ 142.3 million in term loans, subject to certain adjustments based on the post-closing adjustments to the Purchase Price (as defined in the Equipment Sale and Leaseback Agreement, defined below), which were funded in full on May 22, 2023. The obligations under the Term Loan Credit Facility mature on May 22, 2029. The Term Loan Credit Facility is secured by the same collateral that secures the Revolving Credit Facility, with relative priorities in respect thereof, as set forth in the Intercreditor Agreement (as defined below).

The loans under the Term Loan Credit Facility have a fixed interest rate equal to 10 % per annum. Interest is payable-in-kind until the third anniversary of the closing date and following the third anniversary of the closing date is payable at a rate equal to 3 % per annum in cash with the remainder payable-in-kind, in each case, unless otherwise elected by the Borrowers to pay a greater proportion in cash. The Term Loan Credit Facility contains customary affirmative covenants including, but not limited to, financial reporting requirements and maintenance of existence requirements and negative covenants, including, but not limited to, limitations on the incurrence of debt, liens, investments, restricted payments, restricted debt payments, and affiliate transactions. The Term Loan Credit Facility contains one financial covenant, a minimum liquidity covenant, requiring $ 4.0 million of Consolidated Liquidity (as defined in the Term Loan Credit Facility) as of May 28, 2023 and as of the end of the first, second and third fiscal quarters of 2024 of the Company. During the fourth quarter of fiscal year 2024, the minimum liquidity covenant was increased to $ 4.5 million.

The Company identified a number of embedded derivatives that require bifurcation from the Term Loan Credit Facility that were separately accounted for in the consolidated financial statements as one debt derivative liability. Certain of these embedded features include change in control provisions, events of default and contingent rate increases and were determined to qualify as an embedded derivative under ASC 815-40. The embedded derivative and the Term Loan Credit Facility obligation have been bifurcated to result in a net embedded derivative liability and is classified as a Level 3 financial liability in the fair value hierarchy as of May 26, 2024 and May 28, 2023. The fair value of the embedded derivative liabilities associated with the term loans was estimated using the discounted cash flow method under the income approach. This involves significant Level 3 inputs and assumptions including an estimated probability and timing of a change in control and events of default. The Company will re-evaluate this assessment each reporting period and record any gains or losses in other income (expense). The initial recognition of the embedded derivative liability upon issuance of the Term Loan Credit Facility on May 22, 2023 was

$ 64.9 million and is recorded as a debt derivative liability, related party in the condensed Consolidated Balance Sheets. The bifurcation of the embedded debt derivative fair value of $ 64.9 million is accounted for as a discount to the Term Loan Credit Facility. Amortization of the debt discount is based on the effective interest method over the term of the debt. The amortization of the debt discount between the issuance of May 22, 2023 and May 28, 2023 amounted to $ 0.1 million, and for the year ended May 26, 2024 was $ 2.4 million. At May 26, 2024 and May 28, 2023, the fair value of the embedded derivative liability approximated $ 25.4 million and $ 64.9 million, respectively.

As of May 26, 2024 and May 28, 2023, the Company had $ 157.3 million and $ 142.5 million in borrowings outstanding under the Term Loan Credit Facility, with an effective annual interest rate of 22.5 %.

As of May 26, 2024, except for the requirements to deliver certain historical financial statements, the Company was in compliance with all financial covenants under the Term Loan Credit Facility, related party, and Revolving Credit Facility. In December 2023, the Company entered into limited waivers and amendments to credit agreements, as discussed in the "*Limited Waivers and Amendments to Credit Agreements* " section below.

Pledge and Security Agreement, Related Party

Also on May 22, 2023, the Borrowers and certain of the Company's other subsidiaries, as grantors (collectively, the "Grantors"), entered into that certain Pledge and Security Agreement (the "Term Loan Security Agreement"), dated as of May 22, 2023, with Alcon, as collateral agent. Pursuant to the Term Loan Security Agreement, the Grantors secured their obligations under the Term Loan Credit Facility by granting to Alcon, as collateral agent, a first priority security interest in certain collateral, including but not limited to equipment, fixtures, real property, intellectual property and inventory. The security interest granted by the Grantors under the Term Loan Security Agreement continues in effect until the payment in full of all of the secured obligations under the Term Loan Credit Facility.

Amendment to Revolving Credit Facility

On May 22, 2023, the Borrowers and certain of the Company's other subsidiaries, as guarantors, entered into a Limited Waiver, Consent and Fifth Amendment (the "Revolving Loan Amendment") to the credit agreement with BMO, as lender (the "Revolving Credit Facility").

The Revolving Loan Amendment provides for, among other things, (i) a waiver of all known existing defaults under a revolving credit agreement as of the date of the Revolving Loan Amendment, (ii) the reduction of the maximum amount available under a revolving credit agreement to up to the lesser of (x) $ 40.0 million, less a reserve for certain secured credit products, if any, and (y) the borrowing base (which, pursuant to the Revolving Loan Amendment, was modified to include a further reduction of the borrowing base by an additional $ 4.0 million), (iii) the modification of the springing minimum fixed charge coverage ratio of 1.00 to 1.00, with such covenant not tested until the fiscal quarter ending on or about February 28, 2024 and, on or thereafter, upon the earlier of the occurrence of an event of default or availability being less than the greater of 10 % of the maximum borrowing amount and $ 4.0 million, (iv) cash dominion at all times the Revolving Credit Facility remains outstanding, and (v) certain other revisions to align with the terms of the New Term Loan Credit Facility and address the relative priorities and credit for borrowings related to the Company's commercial relationships with Alcon.

In connection with the entry into the Revolving Loan Amendment, the Company also agreed to pay to BMO an amendment fee of $ 1.2 million, $ 0.8 million of which is paid concurrently with the Company's entry into the Revolving Loan Amendment. The remaining $ 0.4 million obligation is payable at the earlier of (i) repayment in full of the Company's obligations, and termination of all commitments, under the Revolving Credit Facility and (ii) the occurrence of a Change of Control (as defined in the Revolving Credit Facility). The Company will accrete the remaining amendment fee over the life of the credit facility. In connection with the entry into the Revolving Loan Amendment, the Company recorded $ 1.2 million of debt origination costs.

The Company records its Revolving Credit Facility deferred finance costs as an asset; as such, $ 1.6 million were recorded as other assets in the accompanying consolidated balance sheet as of May 26, 2024. As of May 28, 2023, $ 0.9 million and $ 1.4 million were recorded as other current assets and other long-term assets, respectively.

As of May 26, 2024 and May 28, 2023, the Company has $ 19.7 million and $ 16.8 million in borrowings outstanding under the Revolving Credit Facility, at an effective annual interest rate of 8.35 % and 12.16 %, respectively.

As the Company's borrowings under the Revolving Credit Facility for the next twelve months will increase to above the $ 19.7 million as of the balance sheet date, and scheduled repayments is not due until December 31, 2025, we have determined the line of credit to be classified as a long-term liability as of May 26, 2024.

As of May 26, 2024, we had approximately $ 12.3 million available for borrowing under our revolving credit facility.

BMO and Alcon also entered into an intercreditor agreement regarding their relative rights, as lenders, in the assets of the Company and its subsidiaries that serve as collateral for their respective credit facilities (the “Intercreditor Agreement”).

On May 10, 2024, the Company also entered into the Seventh Amendment to the ABL Loan Agreement with its ABL lender to execute a “first-in, last-out” tranche of revolving loans under the ABL Loan Agreement (the “FILO Amendment”). While not increasing the overall revolver commitment of $ 40 million, the FILO Amendment provides for up to approximately $ 2.5 million of incremental revolving loan capacity to the Company, subject to a variable cap, without changing the collateral. In connection with the FILO Amendment, the margin rate applicable to the borrowings pursuant to the FILO Amendment was increased to SOFR plus 4.25 %, which is expected to increase annual cash interest expense by approximately $ 44,000 assuming $ 2.5 million in FILO tranche borrowings thereunder. The maximum capacity of permitted borrowings pursuant to the FILO Amendment will be reduced on a monthly basis commencing October 1, 2025. The Company paid a fee of $ 50,000 to BMO in connection with the FILO Amendment.

Limited Waivers and Amendments to Credit Agreements

On December 31, 2023, the Company entered into (i) a Limited Waiver and First Amendment to Credit and Guaranty Agreement (the “Term Loan Amendment”), which amended the Term Loan Credit Facility, and (ii) the Limited Waiver and Sixth Amendment to Credit Agreement (the “ Revolving Credit Amendment” and, together with the Term Loan Amendment, the “Credit Agreement Amendments”) which amended the Revolving Credit Facility.

The Alcon Amendment provides for, among other things, (i) a waiver of the specified defaults listed therein under the Term Loan Credit Facility as of the date of the Term Loan Amendment, (ii) a waiver of the requirement to deliver certain historical financial statements, (iii) the inclusion of a requirement that the Company notify the term lender in advance of any layoff(s) by the Company and/or its subsidiaries that would result in a reduction in the overall headcount of the Company’s full-time manufacturing and support personnel by more than 20 persons in the aggregate, and (iv) an amendment to the financial reporting requirements under the Term Loan Credit Facility providing additional time for the Company’s delivery of its financials for the quarter ended November 26, 2023.

The Revolving Credit Amendment provides for, among other things, (i) a waiver of the specified defaults listed therein under the Revolving Credit Facility as of the date of the Revolving Credit Amendment, (ii) a waiver of the requirement to deliver certain historical financial statements, (iii) an amendment to the definition of “Applicable Margin” with respect to loans under the Revolving Credit Facility from December 31, 2023 until the “Specified Adjustment Date” (as defined in the Revolving Credit Facility as amended by the Revolving Credit Amendment) (i.e., the date on which 2024 audited annual financial statements and certain other materials are delivered by the Company to the revolving credit lender), and (iv) an amendment to the definition of “Eligible Accounts” thereunder in respect of certain accounts.

The Company was not required to pay any fees in connection with the Credit Agreement Amendments.

On August 8, 2024, the Company received limited waivers under its Credit Agreements relating to not timely providing (i) notice of the occurrence of a default; and (ii) the Lifecore financial plan for the fiscal year ending May 25, 2025.

Equipment Sale and Leaseback Agreements, Related Party

On May 22, 2023, the Company entered into that certain Equipment Sale and Leaseback Agreement (the “Equipment Sale and Leaseback Agreement”), dated May 22, 2023, with Alcon, wherein the Company sold $ 10.0 million (subject to certain post-closing adjustments) (the “Purchase Price”) of certain equipment, machinery, and other property associated with the production of sodium hyaluronate (the “Equipment”) to Alcon. The Equipment Sale Leaseback Agreement contains an option for the Company to repurchase the Equipment upon the earlier of (i) seven (7) years and (ii) the expansion of the Company’s existing production capacity with respect to sodium hyaluronate, for a purchase price equal to the Purchase Price, less the aggregate of all Paydown Payments (as defined in the Equipment Lease Agreement). The Purchase Price was subsequently reduced to $ 7.7 million based on the fair value of the equipment, as required by the terms of the Equipment Sale and Leaseback Agreement. The difference of $ 2.3 million between the initial sales value of $ 10.0 million and the $ 7.7 million was added to the term loan agreement, which resulted in a term loan amount of $ 142.3 million and the proceeds to Lifecore across the two agreements did not change.

Concurrently with the entry into the Equipment Sale and Leaseback Agreement, the Company entered into that certain Equipment Lease Agreement (the “Equipment Lease Agreement” and, together with the Equipment Sale Leaseback Agreement, the New Term Loan Credit Facility, the Term Loan Security Agreement, and the Revolving Loan Amendment, collectively, the “Refinancing Transactions”), dated May 22, 2023, with Alcon, wherein Alcon leased the Equipment back to the Company. The

Equipment Lease Agreement expires upon the earlier of (i) May 22, 2033, and (ii) the date that the Equipment is repurchased by the Company pursuant to the terms of the Equipment Lease Agreement. Upon the expiration of the Equipment Lease Agreement on May 22, 2033, the Company shall automatically repurchase the Equipment for $ 1.00 (if not previously repurchased pursuant to the option under the Equipment Sale and Leaseback Agreement).

During the lease term, the Company is obligated to make quarterly rental payments to Alcon equal to (i) 1/40th of the Purchase Price (the "Paydown Payments"), plus (ii) 1.5 % times the Purchase Price less cumulative Paydown Payments made. The Company concluded that the Equipment Sale and Leaseback Agreement did not meet the requirements for sale-leaseback accounting, therefore the carrying value of the equipment remains on the balance sheet and the $ 7.7 million Purchase Price (as adjusted) of the equipment sale finance obligation (the "Equipment Sale Finance Liability") has been classified in Long Term debt.

The Equipment Lease Agreement contains terms and provisions (including representations, covenants and conditions) that are generally customary for a commercial lease of this nature, including obligations relating to the use, operation and maintenance of the Equipment. During the term of the lease, Alcon is not permitted to sell or encumber the Equipment. Alcon is only entitled to cancel the Equipment Lease Agreement in the event of insolvency, liquidation or bankruptcy, and its remedies for other breaches of the Equipment Lease Agreement are otherwise limited to monetary damages.

7. Income Taxes

All of the Company's pre-tax income (loss) from continuing operations for fiscal years 2024, 2023 and 2022 is derived from its domestic operations. The (benefit) provision for income taxes from continuing operations consisted of the following:

(in thousands)	Year Ended		
	May 26, 2024	May 28, 2023	May 29, 2022
Current:			
Federal	$ (10)	$ (1)	$ —
State	37	55	23
Foreign	—	—	356
Total	27	54	379
Deferred:			
Federal	173	234	(4,936)
State	(17)	20	(654)
Total	156	254	(5,590)
Income tax provision (benefit)	$ 183	$ 308	$ (5,211)

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

(in thousands)	Year Ended		
	May 26, 2024	May 28, 2023	May 29, 2022
Tax at U.S. statutory rate (1)	$ 1,999	$ (13,932)	$ (4,344)
State income taxes, net of federal benefit	52	(1,805)	(638)
Change in valuation allowance	(5,773)	19,461	(1,065)
Tax credit carryforwards	(518)	(611)	(436)
Other compensation-related activity	418	283	234
Impairment of goodwill	—	—	2,347
Foreign rate differential	—	(2,749)	(496)
Net operating loss write-off from final state return filings	711	—	—
Provision to return	3,136	—	—
Other	158	(339)	(813)
Income tax provision (benefit)	$ 183	$ 308	$ (5,211)

(1) Statutory rate was 21.0% for all fiscal years presented.

The effective tax rate for fiscal year 2024 changed from a tax provision of 0.48 % to a tax provision expense of 1.93 % in comparison to fiscal year 2023. The decrease in the income tax expense for fiscal year 2024 was primarily due to a valuation allowance decrease resulting from net operating loss utilization and increase of deferred tax liabilities such as debt discount.

The effective tax rate for fiscal year 2024 differs from the statutory federal income tax rate of 21.0% as a result of several factors, including a significant increase in the Company's profit before tax, the change in valuation allowance related to federal and state deferred balances, changes in the blended state tax rate, and the benefit of federal and state research and development credits.

The effective tax rate for fiscal year 2023 changed from a tax benefit of 25.19 % to a tax provision of 0.48 % in comparison to fiscal year 2022. The decrease in the effective tax rate for fiscal year 2023 was primarily due to a significant valuation allowance increase and the impairment of Yucatan goodwill.

The income tax (provision) benefit from discontinued operations for fiscal years 2024, 2023, and 2022 of (18.0) thousand, 0.0 thousand, and 690.0 thousand, respectively, are not included in the above income tax benefit from continuing operations.

Significant components of deferred tax assets and liabilities reported in the accompanying Consolidated Balance Sheets consisted of the following:

(in thousands)	Year Ended	
	May 26, 2024	May 28, 2023
Deferred tax assets:		
Net operating loss carryforwards	$ 40,806	$ 44,618
Limitations on business interest expense	11,783	8,614
Research credit carryforwards	6,700	6,269
Amortization of research development expenses	2,916	1,805
Lease liability	1,218	1,843
Other	2,492	3,216
Gross deferred tax assets	65,915	66,365
Valuation allowance	(46,173)	(52,510)
Net deferred tax assets	19,742	13,855
Deferred tax liabilities:		
Depreciation and amortization	(11,809)	(13,208)
Debt Derivative/Debt Discount	(7,911)	—
Right-of-use asset	(565)	(1,027)
Deferred tax liabilities	(20,285)	(14,235)
Net deferred tax liabilities	$ (543)	$ (380)

As of May 26, 2024, the Company had Federal, California, Indiana, and other state net operating loss carryforwards (pre-tax, post-apportionment) of approximately $ 171.0 million, $ 52.0 million, $ 11.1 million, and $ 15.8 million respectively. The Federal losses expire starting in 2028, if not utilized; and the state losses expire starting in 2025, if not utilized. The Company acquired additional net operating losses through the acquisition of Greenline Logistics, Inc. Utilization of these acquired net operating losses in a specific year is limited due to the “change in ownership” provision of the Internal Revenue Code of 1986 and similar state provisions. The net operating losses presented above for federal and state purposes is net of any such limitation.

As of May 26, 2024, the Company has federal, California, and Minnesota research and development tax credits carryforwards, net of any uncertain tax position and before federal tax benefit of state tax attributes of approximately $ 3.6 million, $ 2.1 million, and $ 1.9 million respectively. The research and development tax credit carryforwards have an unlimited carryforward period for California purposes, 20 year carryforward for federal purposes (begin to expire in fiscal year 2033), and 15 year carryforward for Minnesota purposes (begin to expire in fiscal year 2029).

Valuation allowances are reviewed each period on a tax jurisdiction by jurisdiction basis to analyze whether there is sufficient positive or negative evidence to support a change in judgment about the realizability of the related deferred tax assets. Based on this analysis and considering all positive and negative evidence, we determined that as of May 26, 2024, a valuation allowance of federal $ 38.2 million, and state $ 8.0 million should be recorded as a result of uncertainty around the utilization of federal and state net operating losses, federal capital loss carryforwards, and Section 163(j) interest limitation carryfowards.

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

During the year ended May 26, 2024 the Company recorded an adjustment to reduce the net operating loss carryforwards deferred tax asset, valuation allowance, and other deferred tax assets by $ 2.4 million, $ 2.9 million and $ 0.1 million respectively and increased deferred tax liabilities by $ 0.4 million. The Company has recorded the adjustments noted above in 2024 as an out-of-period adjustment and concluded that the adjustments were not material to the 2023 consolidated financial statements.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in thousands)	Year Ended		
	May 26, 2024	May 28, 2023	May 29, 2022
Unrecognized tax benefits – beginning of the period	$ 1,173	$ 1,041	$ 958
Gross increases – prior-period tax positions	—	16	—
Gross increases – current-period tax positions	98	116	83
Unrecognized tax benefits – end of the period	$ 1,271	$ 1,173	$ 1,041

As of May 26, 2024, the total amount of net unrecognized tax benefits is $ 1.3 million, of which, $ 1.1 million, if recognized, would affect the effective tax rate. The Company accrues interest and penalties related to unrecognized tax benefits in its provision for income taxes. No interest and penalties have been accrued as of May 26, 2024. The Company does not expect its unrecognized tax benefits to increase or decrease within the next twelve months.

Due to tax attribute carryforwards, the Company is subject to examination for tax years 2012 forward for U.S. tax purposes. The Company was also subject to examination in various state jurisdictions for tax years 2012 forward.

8. Leases

Operating Leases

The Company has entered into various non-cancellable operating lease agreements for manufacturing and distribution facilities, equipment and office space. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The Company leases facilities and equipment under operating lease agreements with various terms and conditions, which expire at various dates through fiscal year 2033. Certain of these leases have renewal options. Variable lease payments include property taxes and common area maintenance fees and are recorded and paid based on the terms and conditions of the related invoices. The only active operating real estate lease relates to a 21,384 square foot building in Chanhassen, Minnesota, containing a warehouse and office space. The lease commenced on September 1, 2020 with an initial term of seven years , plus an option to extend for an additional five years . The extension period was included in the lease obligation at inception since it was reasonably certain to be exercised. The future lease payments under this lease, which extend through 2033, total $ 2.3 million as of May 26, 2024. The operating lease for office space of the Curation Foods former headquarters located in Santa Maria, California was terminated in December 2023. The ROU asset carrying value of approximately $ 1.4 million was written-off. The lease liability for the future estimated payments under this lease, approximated $ 3.6 million as of May 26, 2024.

Finance Leases

On September 3, 2015, Lifecore leased an 80,950 square foot building in Chaska, MN, two miles from its current facility. The initial term of the lease was seven years with two five-year renewal options. In December 2022, Lifecore exercised one of the options to renew the lease for an additional five years . The lease contains a buyout option at any time during the renewal period with the purchase price equal to the mortgage balance on the lessor's loan secured by the building. The finance lease obligation at May 26, 2024 assumes the buyout option will be exercised during fiscal year 2028, which is estimated to be approximately $ 2.6 million. Gross assets recorded under finance leases, included in property and equipment, net, were $ 4.1 million and $ 3.9 million as of May 26, 2024 and May 28, 2023, respectively. Accumulated amortization associated with finance leases was $ 0.9 million and $ 0.8 million as of May 26, 2024 and May 28, 2023, respectively. The monthly lease payment was initially $ 34,000 and increases by 2.40 % per year. Lifecore and the lessor made capital improvements prior to occupancy and thus the lease did not become effective until January 1, 2016. Lifecore is currently using the building for warehousing and final packaging.

The components of lease cost were as follows:

(In thousands, except term and discount rate)	Year Ended May 26, 2024		Year Ended May 28, 2023	
Finance lease cost:				
Amortization of leased assets	$ 137		$ 119	
Interest on lease liabilities	373		351	
Operating lease cost	344		1,286	
Variable lease cost	306		600	
Sublease income	(148)		(53)	
Total lease cost	$ 1,012		$ 2,303	
Weighted-average remaining lease term:				
Operating leases	8.53		7.69	
Finance leases	3.67		4.57	
Weighted-average discount rate:				
Operating leases	3.04	%	4.60	%
Finance leases	11.10	%	11.40	%

The Company’s leases have original lease periods ending through 2033. The Company’s maturity analysis of operating and finance lease liabilities as of May 26, 2024 are as follows:

(in thousands)	Operating Leases	Finance Leases	Total
2025	$ 4,020	$ 529	$ 4,549
2026	433	541	974
2027	416	553	969
2028	302	2,910	3,212
2029	146	36	182
Thereafter	585	9	594
Total lease payments	5,902	4,578	10,480
Less: interest	(211)	(1,192)	(1,403)
Present value of lease liabilities	5,691	3,386	9,077
Less: current obligation of lease liabilities	(3,962)	(171)	(4,133)
Total long-term lease liabilities	$ 1,729	$ 3,215	$ 4,944

Supplemental cash flow information related to leases are as follows:

(in thousands)	Year Ended May 26, 2024	Year Ended May 28, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 761	$ 2,067
Operating cash flows from finance leases	373	351
Financing cash flows from finance leases	136	96
Lease liabilities arising from obtaining right-of-use assets:		
Operating leases	$ —	$ 83

During the year ended May 26, 2024, the Company recorded ROU asset impairments related to the Curation Foods Santa Maria Office lease of $ 1.4 million. During the year ended May 28, 2023, the Company recorded impairments related to the Curation Foods Santa Maria office lease of $ 0.6 million, and our Curation Foods Los Angeles, California office lease of $ 0.1 million.

9. Commitments and Contingencies

Legal Contingencies

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

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

Because recovery of amounts is contingent upon a legal settlement, no amounts have been recorded as recoverable costs through May 26, 2024.

Confidential Settlement Agreement and Release

On August 24, 2023, the Company reached a confidential settlement and release agreement with a third-party insurance underwriter as a result of a claim filed by the Curation business. In connection with this settlement agreement, the Company received a cash payment of $ 1.9 million on September 19, 2023, which is recorded as discontinued operations.

SEC Subpoena

On February 16, 2024, the Chicago Regional Office of the SEC issued a subpoena to the Company seeking documents and information concerning the Restatement. The Company is in the process of responding to the subpoena and intends to cooperate with the SEC. We cannot predict the duration or outcome of this matter at this time.

Landlord Complaints

On January 12, 2024, the landlord for a property leased by Curation filed a complaint of unlawful detainer against the Company in Santa Barbara County Superior Court, seeking possession of the building and alleging past due rent of approximately $ 0.2 million. On February 29, 2024, Curation surrendered possession of the premises to the landlord. The unlawful detainer action has thus been converted to an ordinary civil action. Landlord has filed an amended complaint against both Curation and the Company seeking to recover all rent which will accrue through the expiration of the lease, less any sums landlord collects from a replacement tenant. No trial date has been set yet.

On January 12, 2024, a landlord for a different property leased by Curation delivered to the Company a pay or quit notice related to such property, seeking payment of past due rent of approximately $ 0.1 million or requesting Curation to vacate the property. The Company has accrued past due rents, but the ultimate exposure to loss will depend on future events and is not reasonably certain at this time.

Other Litigation Matters

In June of 2021, a complaint was filed against the company alleging multiple wage and hour claims. On June 6, 2022 the Company reached an agreement to settle all causes of action alleged by the Plaintiff under the California Labor Code, the California Business and Professionals Code, the applicable Wage Order, and the Private Attorneys General Act (the "PAGA"). In connection with the settlement agreement the Company recorded a $ 0.5 million charge, which is included in Loss from discontinued operations costs in the Consolidated Statements of Operations for the fiscal year ended May 28, 2023.

Compliance Matters

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

On October 21, 2019, the Company retained Latham & Watkins, LLP to conduct an internal investigation relating to potential environmental and Foreign Corrupt Practices Act ("FCPA") compliance matters associated with regulatory permitting at the Tanok facility in Mexico. The Company subsequently voluntarily self-disclosed to the SEC and the U.S. Department of Justice ("DOJ") the conduct under investigation, and these agencies commenced an investigation. The Company also disclosed the conduct under investigation to the Office of the Attorney General in Mexico, which in December 2021 decided (a) that Curation Foods, Inc., did not commit or participate in the criminal conduct disclosed, (b) no criminal action would be taken against Curation Foods, Inc., (c) that no criminal liability was established against Tanok and Yucatan after they were acquired by Curation Foods, Inc., and (d) the decisions do not apply to any individuals who may be responsible for misconduct. The Company also disclosed the misconduct to other regulators in Mexico. The conduct at issue began prior to the Yucatan Acquisition, and the agreement for the Yucatan Acquisition provides the Company with certain indemnification rights that may allow the Company to recover the cost of a portion of the liabilities that have been and may be incurred by the Company in connection with these compliance matters. On September 2, 2020, one of the former owners of Yucatan filed a lawsuit against the Company in Los Angeles County Superior Court for breach of employment agreement, breach of contract, breach of holdback agreement, declaratory relief and accounting, and related claims. The Plaintiff seeks over $ 10 million in damages, including delivery of shares of his stock held in escrow for the indemnification claims described above. On November 3, 2020, the Company filed an answer and cross-complaint against the Plaintiff and other former equity holders of Yucatan for fraud, indemnification, and other claims, and seeking no less than $ 80 million in damages. In fiscal 2022 and 2023, the Company reached settlements with several of the cross-defendants, pursuant to which the settling cross-defendants agreed that certain of the shares of stock they received when the Company acquired Yucatan be sold and the proceeds paid to the Company. The matter is proceeding against the Plaintiff and the remaining cross-defendants.

On November 16, 2023, the Company and the U.S. Department of Justice (the “DOJ”) executed a letter (“Declination Letter”) in which the DOJ has declined to prosecute the Company for violations of the Foreign Corrupt Practices Act (the “FCPA”) involving the Company’s formerly-held subsidiary, Yucatan Foods L.P. (“Yucatan”). Pursuant to the Declination Letter, in connection with the DOJ’s declination to prosecute, in fiscal 2023 the Company agreed to pay disgorgement in the amount of $ 406,505 , and to continue to fully cooperate with any ongoing government investigations and any prosecutions that might result in the future. The Company paid the disgorgement amount in full in fiscal 2024.

At this stage, the ultimate outcome of these or any other investigations, legal actions, or potential claims that may arise from the matters under investigation is uncertain and the Company cannot reasonably predict the timing or outcomes, or estimate the amount of net loss after indemnification, or its effect, if any, on its financial statements. Separately, there are indemnification provisions in the purchase agreement that may allow the Company to recover costs for breach of the purchase agreement from the seller. Because recovery of amounts is contingent upon a legal settlement, no amounts have been recorded as recoverable costs through May 26, 2024.

10. Restructuring Costs

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

The following table summarizes the restructuring costs recognized in the Consolidated Statements of Operations for the fiscal years ended May 26, 2024, May 28, 2023 and May 29, 2022:

(In thousands)	Year Ended		
	May 26, 2024	May 28, 2023	May 29, 2022
Asset write-off costs	$ —	$ —	$ 3,127
Employee severance and benefit costs	234	2,542	405
Lease costs	1,036	96	2,072
Other restructuring costs	386	1,546	2,755
Total restructuring costs	$ 1,656	$ 4,184	$ 8,359

Asset Write-off Costs

Asset write-off costs are costs related to impairment or disposal of property and equipment as part of the Company's restructuring plan to drive enhanced profitability, focus the business on its strategic assets and redesign the organization to be the appropriate size to compete and thrive.

The Company leased an office for Curation located in Santa Maria, California (the "Santa Maria Office"). During the third quarter of fiscal year 2022, the Company approved a plan to explore opportunities to sub lease its Santa Maria Office. The Company recognized a $ 5.3 million impairment loss ($ 3.7 million included in asset write-off costs related to leasehold improvements impairment and $ 1.6 million included in lease costs related to right-of-use asset impairment) for the year ended May 29, 2022.

Employee Severance and Benefit Costs

Employee severance and benefit costs are costs incurred as a result of reduction-in-force driven by our restructuring plan and closure of offices and facilities. These costs were driven primarily by a reduction-in-force related to our Curation Foods business.

Lease Costs

During the third quarter of fiscal year 2024, the Company recognized $ 1.4 million in lease costs primarily as a result of an impairment of an ROU asset on the Santa Maria Office. Also in the third quarter of fiscal year 2024, the Company vacated the Santa Maria Office and recognized a $ 0.7 million net reduction in lease costs estimated for contractual amounts owed under the terminated lease, net of estimated liabilities of $ 0.6 million that are accrued in other accrued liabilities.

Other restructuring costs

Other restructuring costs primarily related to consulting costs to execute the Company's restructuring plan to drive enhanced profitability, focus the business on its strategic assets, and redesign the organization to be the appropriate size to compete and thrive.

Accumulated Restructuring Costs

The following table summarizes the restructuring costs recognized in the Company's Consolidated Statements of Operations since inception of the restructuring plan in fiscal year 2020 through the fiscal year ended May 26, 2024, excluding discontinued operations:

(In thousands)	Total
Asset write-off costs	$ 13,893
Employee severance and benefit costs	4,333
Lease costs	5,150
Other restructuring costs	8,236
Total restructuring costs	$ 31,612

Restructuring Costs Liability Roll-forward

The following table presents the movement of the restructuring liability from May 28, 2023 through May 26, 2024, within current liabilities in the Consolidated Balance Sheets:

(In thousands)	May 28, 2023	Expense	Payments	Other (1)	May 26, 2024
Employee severance and benefit	$ 1,600	$ 234	$ (1,617)	$ —	$ 217
Lease	257	587	(129)	3,575	4,290
Other restructuring	1,140	386	(1,262)	—	264
	$ 2,997	$ 1,207	$ (3,008)	$ 3,575	$ 4,771

(1) The increase to the restructuring liability of $ 3.6 million relates terminated lease obligations in connection with the exit of a leased property when the Company relocated its headquarters to Minnesota.

11. Discontinued Operations

As discussed in Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies - Discontinued Operations, during fiscal year 2023 we completed the disposition of O Olive Sale and Yucatan Disposition and during fiscal year 2022 we completed the Eat Smart Disposition. Yucatan, O Olive and Eat Smart represent components of the Company's previously operated food business and their sale represents a strategic shift in the Company going forward. Accordingly, concurrent with the execution of their respective purchase agreements, Yucatan, O Olive and Eat Smart met the accounting requirements for reporting as discontinued operations for all periods presented. There were no assets or liabilities of Yucatan, O Olive or Eat Smart as of May 26, 2024 or May 28, 2023.

The key components of income (loss) from discontinued operations for the fiscal years ended May 26, 2024, May 28, 2023, and May 29, 2022 were as follows (in thousands):

	Year Ended		
	May 26, 2024	May 28, 2023	May 29, 20
Revenues	$ —	$ 49,988	$ 26
Cost of goods sold	—	51,175	24
Gross profit	—	(1,187)	1
Operating costs and expenses:			
Research and development	—	220	
Selling, general and administrative	—	10,143	2
Impairment of goodwill and long-lived and indefinite-lived assets	—	1,300	7
Legal settlement charge	—	407	
Loss on Sale of Eat Smart	—	—	
Loss on Sale of Yucatan	—	20,663	
Loss on Sale of O Olive	—	319	
Restructuring costs	—	1,255	
Total operating costs and expenses	—	34,307	11
Operating loss	—	(35,494)	(9
Interest expenses (1)	—	—	(
Other income (expense), net	2,700	167	
Income (loss) from discontinued operations before taxes	2,700	(35,327)	(10
Income tax benefit	(18)	—	
Income (loss) from discontinued operations, net of tax	$ 2,682	$ (35,327)	$ (10

(1) The Company does not allocate general corporate interest expense to discontinued operations. The amount shown for the year ended May 29, 2022 related to debt held specifically by discontinued operations.

The key components of cash flows from discontinued operations for the fiscal years ended May 28, 2023, and May 29, 2022 were as follows (in thousands):

	Year Ended	
	May 28, 2023	May 29, 2022
Cash provided by (used in) operating activities	$ 12	$ (13,600)
Cash (used in) provided by investing activities	$ (42)	$ 105,300
Depreciation and amortization expense	$ 400	$ 7,628
Capital expenditures	$ (42)	$ (4,467)

12. Subsequent Events

Reduction in Workforce

On July 8, 2024, the Company determined to implement a strategic reduction of the Company's workforce (the "Workforce Reduction Plan") to terminate 46 full-time employees of the Company, representing approximately 9 % of the Company's workforce, as part of an initiative to strategically optimize the Company's cost structure. In connection with the Workforce Reduction Plan, the Company estimates that it will incur termination benefit costs of approximately $ 1.0 million, which primarily consist of one-time severance benefits. These costs are expected to be incurred in the first quarter of fiscal 2025 and paid during both the first and second quarters of fiscal 2025.

Shareholder Cooperation Agreements

On June 28, 2024, the Company entered into cooperation agreements (the "Cooperation Agreements") with each of (i) the 22NW Investor Group, (ii) the Legion Investor Group, and (iii) the Wynnefield Investor Group, as defined in the respective cooperation agreement. Pursuant to the terms of the Cooperation Agreements, the Company, the 22NW Investor Group, the Legion Investor Group, and the Wynnefield Investor Group agreed to take certain actions with respect to board composition matters and agreed to certain customary standstill provisions.

In connection with the Cooperation Agreements, the Company accrued $ 0.4 million in expenses during fiscal year 2024 and has estimated to incur an additional $ 1.5 million in costs during the first quarter of 2025, and which are expected to be paid during the second quarter of 2025.

Class Action Complaint

On July 29, 2024, a putative class action complaint was filed on behalf of shareholders of the Company in the United States District Court of Minnesota against the Company and certain of its named executive officers. The complaint generally alleges that statements made to the Company's shareholders between October 7, 2020, and March 19, 2024 regarding the Company's financial results, internal controls, remediation efforts, periodic reporting, and financial prospects were false and misleading in violation of Section 10(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that the individual defendants are liable for such statements because they are controlling persons under Section 20(a) of the Exchange Act. The complaint seeks compensatory damages, court costs, and attorneys' fees. The Company believes that the claims are without merit and intends to vigorously defend against them. Any potential loss arising from this claim is not currently probable or estimable.

Amended Lease Agreement

On August 9, 2024, the Company amended its finance lease agreement dated September, 3, 2015 with 1245, LLP, as lessor, related to office, manufacturing and warehouse space at 1245 Lakeview Drive in Chaska, MN. The primary terms of the amended lease agreement provide for approximately $ 2.4 million in cash to the Company in exchange for a revised rent payment schedule and an updated purchase option.

(b) Index of Exhibits.

Exhibit Number	Exhibit Title
2.1	Asset Purchase Agreement, dated December 13, 2021, by and among the Company, Curation Foods, Inc. and Taylor Farms Retail, Inc., incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on December 17, 2021.
2.2	Securities Purchase Agreement, dated February 7, 2023, by and among Lifecore Biomedical, Inc., Yucatan Foods, LLC, Camden Fruit Corp., ar Yucatan Acquisition Holdings LLC, incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on February 7, 2023.
3.1	Certificate of Incorporation of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed November 7, 2008.
3.2	Certificate of Amendment to Certificate Incorporation of the Company, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Repo on Form 8-K filed on November 16, 2022.
3.3	Amended and Restated By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K fil on October 16, 2012.
3.4	Amendment No. 1 to By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed May 7, 2019.
3.5	Amendment No. 2 to By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed May 24, 2019.
3.6	Amendment No. 3 to By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed October 19, 2020.
3.7	Amendment No. 4 to By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed November 16, 2022.
3.8	Certificate of Designations of Lifecore Biomedical, Inc., dated January 9, 2023, incorporated herein by reference to Exhibit 3.1 to the Registran Current Report on Form 8-K filed on January 10, 2023.
3.9	Certificate of Amendment to Certificate Incorporation of the Company, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Repo on Form 8-K filed on August 21, 2024.
4.1*	Description of Capital Stock, incorporated herein by reference to Exhibit 4.1 to the Registrant's Annual Report on Form 10-K filed on September 14, 2022.
10.1	Form of Indemnification Agreement incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 1 2018.
10.2*	Landec Corporation Nonqualified Deferred Compensation Plan, incorporated herein by reference to the Registrant's Annual Report on Form 10-K fil on August 7, 2013.
10.3*	Landec Corporation 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed October 11, 2013.
10.4*	First Amendment to the Landec Corporation 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Curre Report on Form 8-K filed on October 23, 2017.
10.5*	Form of Stock Grant Agreement for the Landec Corporation 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to tl Registrant's Current Report on Form 8-K filed on October 11, 2013.
10.6*	Form of Notice of Stock Option Grant and Stock Option Agreement for the Landec Corporation 2013 Stock Incentive Plan, incorporated herein l reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 11, 2013.
10.7*	Form of Stock Unit Agreement for the Landec Corporation 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to tl Registrant's Current Report on Form 8-K filed on October 11, 2013.

Exhibit Number	Exhibit Title
10.8*	Form of Notice of Grant of Stock Appreciation Right and Stock Appreciation Right Agreement for the Landec Corporation 2013 Stock Incentive Pla incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 11, 2013.
10.9*	Landec Corporation 2019 Stock Incentive Plan, including the forms of awards attached thereto, incorporated herein by reference to Exhibit 99.1 to tl Registrant's Current Report on Form 8-K filed on October 21, 2019.
10.10*	Long-Term Incentive Plan for Fiscal Year 2020, incorporated herein by reference to Registrant's Current Report on Form 8-K filed on July 24, 2017.
10.11*	Long-Term Incentive Plan for Fiscal Year 2021, incorporated herein by reference to the Registrant's Current Report on Form 8-K filed on July 30, 2018.
10.12	Settlement Agreement amongst the Registrant, Apio, Inc., Rancho Harvest, Inc. and Pacific Harvest, Inc. and the plaintiffs named therein and Addendu to the Settlement Agreement effective as of May 5, 2017, incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K file on May 10, 2017.
10.13	Purchase Agreement dated as of April 26, 2018, by and between Apio, Inc. Michael R. Mills, San Ysidro Farms, Inc., B&D Farms, Mahoney Brothers, ar RCM Farms, LLC, incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on May 2, 2018.
10.14	Letter Agreement dated May 22, 2018 among the Registrant, Nelson Obus and Wynnefield Capital, Inc. incorporated herein by reference to Exhibit 10.1 the Registrant's Current Report on Form 8-K filed on May 25, 2018.
10.15	Capital Contribution and Partnership Interest and Stock Purchase Agreement dated December 1, 2018 by and among Apio, Inc., a Delaware Corporatio Yucatan Foods, L.P., a Delaware limited partnership , Camden Fruit Corporation, a California corporation, Landec Corporation, a Delaware corporation, in capacity as guarantor, Ardeshir Haerizadeh, as an equityholder representative, and the equityholders of Camden and Yucatan, incorporated herein b reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on December 6, 2018.
10.16*	Landec Corporation Executive Change in Control Severance Plan.
10.17	Credit Agreement, dated December 31, 2020, by and among Landec Corporation, Curation Foods, Inc. and Lifecore Biomedical, Inc., as borrowers, certain other subsidiary parties thereto, as guarantors, and BMO Harris Bank., N.A., a slender and administrative agent, incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on January 5, 2021.
10.18	Pledge and Security Agreement, dated December 31, 2020, by and among Landec Corporation, Curation Foods, Inc., Lifecore Biomedical, Inc. and certain other subsidiary parties thereto, as grantors, and BMO Harris Bank., N.A., as administrative agent, incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on January 5, 2021.
10.19*	Employment Agreement, dated January 18, 2021, by and between Landec Corporation and John Morberg, incorporated by reference to Exhibit 10.1 to th Registrant's Current Report on Form 8-K filed on January 20, 2021.
10.20	Separation and General Release by and between Landec Corporation and Brian McLaughlin, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on February 2, 2021.
10.21	Separation and General Release by and between Landec Corporation and Dawn Kimball, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 8, 2021
10.22	Separation and General Release by and between Landec Corporation and Timothy Burgess, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 15, 2021.
10.23	Share Purchase Agreement, dated June 1, 2021, by and among the Company, Curation Foods, Newell Capital Corporation, Newell Brothers Investment Corp., and Windset Holdings 2010 Ltd., incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 2, 2021.
10.24*	Amended and Restated Employment Agreement between the Registrant and Albert D. Bolles, Ph.D., effective as of July 23, 2020, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on October 7, 2020.

Exhibit Number	Exhibit Title
10.25*	Amendment to the Landec Corporation 2019 Stock Incentive Plan, including the forms of awards attached thereto, incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 7, 2022.
10.26	Securities Purchase Agreement, dated November 25, 2022, by and among the Company and the purchasers named therein, incorporated by reference t Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 25, 2022.
10.27	Securities Purchase Agreement, dated January 9, 2023, by and between Lifecore Biomedical, Inc. and the purchasers named therein, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 10, 2023.
10.28	Registration Rights Agreement, dated January 9, 2023, by and between Lifecore Biomedical, Inc. and the other parties thereto, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 10, 2023.
10.29	Credit and Guaranty Agreement, dated May 22, 2023, by and among Lifecore Biomedical, Inc., Curation Foods, Inc. and Lifecore Biomedical Operating Company, Inc., as borrowers, certain other subsidiaries of Lifecore Biomedical, Inc. party thereto, as guarantors, and Alcon Research, LLC, as lender, administrative agent and collateral agent, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 23, 2023.
10.30	First Amendment to Credit Agreement, dated as of April 19, 2021, by and among Lifecore Biomedical, Inc. (formerly known as Landec Corporation), Curation Foods, Inc., Lifecore Biomedical Operating Company, Inc. (formerly known as Lifecore Biomedical, Inc.) and BMO Harris Bank, N.A.
10.31	Second Amendment to Credit Agreement, dated as of December 22, 2021, by and among Lifecore Biomedical, Inc. (formerly known as Landec Corporation), Curation Foods, Inc., Lifecore Biomedical Operating Company, Inc. (formerly known as Lifecore Biomedical, Inc.) and BMO Harris Bank, N.A.
10.32	Third Amendment to Credit Agreement, dated as of February 22, 2022, by and among Lifecore Biomedical, Inc. (formerly known as Landec Corporation) Curation Foods, Inc., Lifecore Biomedical Operating Company, Inc. (formerly known as Lifecore Biomedical, Inc.) and BMO Harris Bank, N.A.
10.33	Revolving Loan Amendment, dated January 9, 2023, incorporated herein by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K file on January 10, 2023.
10.34	Pledge and Security Agreement, dated May 22, 2023, by and among Lifecore Biomedical, Inc., Curation Foods, Inc., Lifecore Biomedical Operating Company, Inc. and certain other subsidiary parties thereto, as grantors, and Alcon Research, LLC, as collateral agent, incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on May 23, 2023.
10.35	Limited Waiver and Fifth Amendment to that certain Credit Agreement, dated May 22, 2023, by and among Lifecore Biomedical, Inc., Curation Foods, Inc and Lifecore Biomedical Operating Company, Inc., as borrowers, certain other subsidiaries of Lifecore Biomedical, Inc. party thereto, as guarantors, and BM Harris Bank, N.A., as lender and administrative agent, incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on May 23, 2023.
10.36	Equipment Sale and Leaseback Agreement, dated May 22, 2023, by and between Lifecore Biomedical, Inc. and Alcon Research, LLC, incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on May 23, 2023.
10.37	Equipment Lease Agreement, dated May 22, 2023, by and between Lifecore Biomedical, Inc. and Alcon Research, LLC, incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on May 23, 2023.
10.38#	Amended and Restated Supply Agreement, dated May 3, 2023, by and between Lifecore Biomedical, Inc. and Alcon Research, LLC, incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed on May 23, 2023.
10.39	Transition and Separation Agreement, effective August 10, 2022, by and between the Company and Dr. Albert Bolles, Ph.D., incorporated by reference t Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 10, 2022.

Exhibit Number	Exhibit Title
10.40*	Amendment dated April 27, 2023 to the Lifecore Biomedical, Inc. (f/k/a Landec Corporation) Executive Change in Control Severance Plan, incorporated b reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 2, 2023.
10.41	Limited Waiver and First Amendment to that certain Credit and Guaranty Agreement, dated May 22, 2023, by and among Lifecore Biomedical, Inc., Curation Foods, Inc. and Lifecore Biomedical Operating Company, Inc., as borrowers, certain other subsidiaries of Lifecore Biomedical, Inc. party thereto, as guarantors, and Alcon Research, LLC, as lender, administrative agent and collateral agent, incorporated by reference to Exhibit 10.1 to the Registrant's Curre Report on Form 8-K filed on January 5, 2024.
10.42	Limited Waiver and Sixth Amendment to that certain Credit Agreement, dated December 31, 2020, by and among Lifecore Biomedical, Inc., Curation Foods, Inc. and Lifecore Biomedical Operating Company, Inc., as borrowers, certain other subsidiaries of Lifecore Biomedical, Inc. party thereto, as guarantors, and BMO Harris Bank, N.A., as lender and administrative agent, incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on January 5, 2024.
10.43#	Amended and Restated Contract Manufacturing Agreement, dated December 31, 2023, by and between Lifecore Biomedical, Inc. and Alcon Research, LLC, incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on January 5, 2024.
10.44#	Amendment No. 1 to that certain Amended and Restated Supply Agreement, dated May 3, 2023, by and between Lifecore Biomedical, Inc. and Alcon Research, LLC, incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on January 5, 2024.
10.45*	Restricted Stock Unit Award Agreement dated May 20, 2024 to Paul Josephs under Lifecore Biomedical Inc. Equity Inducement Plan., incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 22 2024.
10.46*	Performance Stock Unit Award Agreement dated May 20, 2024 to Paul Josephs under Lifecore Biomedical Inc. Equity Inducement Plan., incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on May 22 2024.
10.47*	Participation Notice with Paul Josephs dated May 20, 2024 under the Lifecore Biomedical, Inc. Executive Change in Control Severance Plan., incorporate by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on May 22 2024.
10.48	Seventh Amendment to Credit Agreement, dated May 10, 2024, by and among Lifecore Biomedical, Inc., Curation Foods, Inc., Lifecore Biomedical Operating Company, Inc., and BMO Bank N.A, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 14, 202
10.49	Amendment No. 1 to Amended and Restated Contract Manufacturing Agreement, by and between Alcon Research, LLC and Lifecore Biomedical, LLC., incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 8, 2024.
10.50*	Offer Letter, dated March 20, 2024, by and between the Company and Paul Josephs, incorporated by reference to Exhibit 10.1 to the Registrant's Curren Report on Form 8-K filed on March 21, 2024.
10.51*	Lifecore Biomedical, Inc. Equity Inducement Plan, incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on Marcl 21, 2024.
10.52*	Separation Agreement, approved March 20, 2024, by and between the Company and James G. Hall, incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on March 21, 2024.
19.1+	Lifecore Biomedical, Inc. Insider Trading Policy
21.1+	Subsidiaries of the Registrant
23.1+	Consent of Independent Registered Public Accounting Firm - BDO USA, P.C.
23.2+	Consent of Independent Registered Public Accounting Firm - Ernst & Young LLP
24.1+	Power of Attorney (included on the signature page to this Annual Report on Form 10-K)

Exhibit Number	Exhibit Title
31.1+	CEO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
31.2+	CFO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1**	CEO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
32.2**	CFO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
97.1	Compensation Recoupment Policy, incorporated by reference to Exhibit 97.1 to the Registrant's Current Report on Form 10-K filed on March 20, 2024.
101.INS	XBRL Instance
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Represents a management contract or compensatory plan or arrangement.

** Information is furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

\+ Filed herewith.

\# Confidential portions of this exhibit have been redacted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request in accordance with Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chaska, State of Minnesota, on August 26, 2024.

LIFECORE BIOMEDICAL, INC.

By: /s/ John D. Morberg

John D. Morberg

Executive Vice-President, Chief Financial Officer and Secretary
(Principal Financial and Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Paul Josephs and John D. Morberg, and each of them, as his or her attorney-in-fact, with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorney-in-fact to any and all amendments to said Report on Form 10-K.

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

Signature	Title	Date
/s/ Paul Josephs Paul Josephs	President and Chief Executive Officer (Principal Executive Officer) and Director	August 26, 2024
/s/ John D. Morberg John D. Morberg	Executive Vice-President, Chief Financial Officer and Secretary (Principal Financial Officer and Principal Accounting Officer)	August 26, 2024
/s/ Humberto C. Antunes Humberto C. Antunes	Director	August 26, 2024
/s/ Jason Aryeh Jason Aryeh	Director	August 26, 2024
/s/ Raymond Diradoorian Raymond Diradoorian	Director	August 26, 2024
/s/ Jeffrey L. Edwards Jeffrey L. Edwards	Director	August 26, 2024
/s/ Katrina L. Houde Katrina L. Houde	Director	August 26, 2024
/s/ Paul H. Johnson Paul H. Johnson	Director	August 26, 2024
/s/ Christopher Kiper Christopher Kiper	Director	August 26, 2024
/s/ Matthew Korenberg Matthew Korenberg	Director	August 26, 2024
/s/ Nelson Obus Nelson Obus	Director	August 26, 2024
/s/ Joshua E. Schechter Joshua E. Schechter	Director	August 26, 2024

Exhibit 19.1

Lifecore Biomedical Insider Trading Policy

Nothing in this Policy is intended to create a contract between Lifecore Biomedical, LLC ("Lifecore" or "the company") and any employee. The Company reserves the right to change all matters contained in these policies at any time and without prior notice. The Company reserves the right to interpret the provisions of the Lifecore Biomedical, LLC Insider Trading Compliance Policy, and to vary from it when such variance is appropriate. It is the employee's responsibility to remain current on policy revisions/updates or new policies. Notification will be sent out to all employees when changes occur to these documents. The most recent version of each policy supersedes and replaces any prior version. For additional interpretation of this policy, consult with a member of the Human Resources Department.

PURPOSE

To educate employees on insider trading and to prevent insider trading from occurring. Preventing insider trading is necessary to comply with securities laws and to preserve the reputation and integrity of Lifecore Biomedical, LLC (together with its subsidiaries, the "Company") as well as that of all persons affiliated with the Company. "Insider trading" occurs when any person purchases or sells a security while in possession of inside information relating to the security. As explained in Section III below, "inside information" is information that is both "material" and "non-public." Insider trading is a crime. The penalties for violating insider trading laws include imprisonment, disgorgement of profits, civil fines, and criminal fines of up to $5 million for individuals and $25 million for corporations. Insider trading is also prohibited by this Insider Trading Compliance Policy (this "Policy"), and violation of this Policy may result in Company-imposed sanctions, including removal or dismissal for cause.

SCOPE

This Policy applies to all officers, directors, and employees of the Company. This Policy also applies to any entities controlled by individuals subject to the Policy, including any corporations, partnerships or trusts, and transactions by these entities should be treated for the purposes of this Policy and applicable securities laws as if they were for the individual's own account. This Policy extends to all activities within and outside an individual's Company duties. Every officer, director and employee must review this Policy.

RESPONSIBILITIES

Individuals subject to this Policy are responsible for ensuring that members of their households also comply with this Policy.

The Company has appointed the Chief Financial Officer (or his designee) as the Company's Insider Trading Compliance Officer (the "Insider Trading Compliance Officer"). In order to ensure compliance with this Policy, the Insider Trading Compliance Officer is authorized to designate one or more persons to assist in administering this Policy. Questions regarding the Policy should be directed to the Insider Trading Compliance Officer.

DEFINITIONS

"Insider Trading Compliance Officer" the person designated by the Board to handle any and all matters relating to the Company's Insider Trading Compliance Program. Certain of those duties may be delegated to outside counsel with special expertise in securities issues and relevant law.

"Insider trading" refers to the purchase or sale of a security while in possession of "material," "non-public" information relating to the security. It is generally understood that insider trading includes the following:

- Trading by insiders while in possession of material, non-public information
- Trading by persons other than insiders while in possession of material, non-public information, if the information either was given in breach of an insider's fiduciary duty to keep it confidential or was misappropriated; and
- Communicating or tipping material, non-public information to others, including recommending the purchase or sale of a security while in possession of such information.

"Securities" includes stocks, bonds, notes, debentures, options, warrants and other convertible securities, as well as derivative instruments.

"Purchase" includes not only the actual purchase of a security, but any contract to purchase or otherwise acquire a security. This definition extends to a broad range of transactions, including conventional cash-for-stock transactions, conversions, the exercise of stock options, and acquisitions and exercises of warrants or puts, calls or other derivative securities.

"Sale" includes not only the actual sale of a security, but any contract to sell or otherwise dispose of a security. This definition extends to a broad range of transactions, including conventional cash-for-stock transactions, conversions, the exercise of stock options, and acquisitions and exercises of warrants or puts, calls or other derivative securities.

"Material Facts," the materiality of a fact depends upon the circumstances. A fact is considered "material" if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to buy, sell or hold a security, or if the fact is likely to have a significant effect on the market price of the security. Material information can be positive or negative and can relate to virtually any aspect of a company's business or to any type of security, debt, or equity.

Examples of material information include (but are not limited to) information about dividends; corporate earnings or earnings forecasts; possible mergers, acquisitions, tender offers or dispositions; major new products or product developments; important business developments such as major contract awards or cancellations, the gain or loss of a major customer or supplier or the status of regulatory submissions; management or control changes; significant borrowing or financing developments including pending public sales or offerings of debt or equity securities; defaults on borrowings; bankruptcies; and significant litigation or regulatory actions. Moreover, material information does not have to be related to a company's business. For example, the contents of a forthcoming newspaper column that is expected to affect the market price of a security can be material. A good general rule of thumb: When in doubt, do not trade.

"Non-public Information" is information not available to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors through such media as Dow Jones, Business Wire, Reuters, The Wall Street Journal, Associated Press, or United Press International, a broadcast on widely available radio or television programs, publication in a widely available newspaper, magazine or news web site, a Regulation FD-compliant conference call, or public disclosure documents filed with the SEC that are available on the SEC's web site.

The circulation of rumors, even if accurate and reported in the media, does not constitute effective public dissemination. In addition, even after a public announcement, a reasonable period of time must lapse in order for the market to react to the information.

Generally, one should allow a full trading day following publication as a reasonable waiting period before such information is deemed to be public.

"Insiders" include officers, directors and employees of a company and anyone else who has material inside information about a company. Insiders have independent fiduciary duties to their company and its stockholders not to trade on material, non-public information relating to the company's securities. All officers, directors and employees of the Company should consider themselves insiders with respect to material, non-public information about the Company's business, activities, and securities. Officers, directors, and employees may not trade in the Company's securities while in possession of material, non-public information relating to the Company, nor may they tip such information to anyone outside the Company (except in accordance with the Company's policies regarding the protection or authorized external disclosure of Company information) or to anyone within the Company other than on a need-to-know basis.

Individuals subject to this Policy are responsible for ensuring that members of their households also comply with this Policy. This Policy also applies to any entities controlled by individuals subject to the Policy, including any corporations, partnerships or trusts, and transactions by these entities should be treated for the purposes of this Policy and applicable securities laws as if they were for the individual's own account.

"Broker's transaction" is one in which the broker does no more than execute the sale order and receive the usual and customary commission. Neither the broker nor the selling person can solicit or arrange for the sale order.

"Tippee" is a person who obtains material, non-public information by receiving overt tips from others or through, among other things, conversations at social, business, or other gatherings, and who trades on material, non-public information tipped to them or individuals who trade on material, non-public information that has been misappropriated.

Insiders may be liable for communicating or tipping material, non-public information to a third party ("tippee"), and insider trading violations are not limited to trading or tipping by insiders.

Tippees inherit an insider's duties and are liable for trading on material, non-public information illegally tipped to them by an insider. Similarly, just as insiders are liable for the insider trading of their tippees, so are tippees who pass the information along to others who trade. In other words, a tippee's liability for insider trading is no different from that of an insider.

"SEC", The Security and Exchange Commission is a *U.S. government oversight agency responsible for regulating the securities markets and* protecting investors.

"Pre-Clearance" is a prior approval required to be obtained from the Compliance Officer and should be taken before dealing in the securities of the Company.

"Trading day" is a day on which national stock exchanges are open for trading.

"Blackout period" for purposes of this policy is a block of time when certain peaple-either executives, employees, or both-are prohibited from buying or selling shares in their company. Blackout periods help prevent insider trading by restricting the ability of corporate insiders to trade during periods when material, non-public information is generated.

"Short Sale" is to sell stock or other securities or commodities which one does not own at the time, in the hope of buying at a lower price before the delivery time.

"Publicly Traded Options" Stock options aren't actual shares of stock-it is the right to buy a set number of company shares at a fixed price, usually called a grant price, strike price, or exercise price. Companies offer stock options as part of a compensation package so employees can share in the company's success.

"Hedging Transactions" is the act of protecting an asset against unfavorable market trends by purchasing the option to sell (or buy) an asset at a future date on pre-determined terms.

PROCEDURE

I. STATEMENT OF POLICY PROHIBITING INSIDER TRADING

No officer, director or employee shall purchase or sell any type of security while in possession of material, non-public information relating to the security, whether the issuer of such security is the Company or any other company.

Additionally, no officer, director or key employee listed on Schedule I (as amended from time to time) shall purchase or sell any security of the Company during the period beginning on the 15th calendar day before the end of any fiscal quarter of the Company and ending upon completion of the second full trading day after the public release of earnings data for such fiscal quarter or during any other trading suspension period declared by the Company, and no other employee shall purchase or sell any security of the Company during the period beginning on the 5th trading day before the end of any fiscal quarter of the Company and ending upon completion of the second full trading day after the public release of earnings data for such fiscal quarter or during any other trading suspension period declared by the Company. For the purposes of this Policy, a "trading day" is a day on which national stock exchanges are open for trading.

These prohibitions do not apply to:

- purchases of the Company's securities from the Company or sales of the Company's securities to the Company.
- exercises of stock options or other equity awards or the surrender of shares to the Company in payment of the exercise price or in satisfaction of any tax withholding obligations in a manner permitted by the applicable equity award agreement, or vesting of equity-based awards, that in each case do not involve a market sale of the Company's securities (the "cashless exercise" of a Company stock option through a broker does involve a market sale of the Company's securities, and therefore would not qualify under this exception);
- *bona fide* gifts of the Company's securities; or
- purchases or sales of the Company's securities made pursuant to any binding contract, specific instruction or written plan entered into while the purchaser or seller, as applicable, was unaware of any material, non-public information and which contract, instruction or plan (i) meets all requirements of the affirmative defense provided by Rule 10b5-1 ("Rule 10b5-1") promulgated under the Securities Exchange Act of 1934, as amended (the "1934 Act"), (ii) was pre-cleared in advance pursuant to this Policy and (iii) has not been amended or modified in any respect after such initial pre-clearance without such amendment or modification being pre-cleared in advance pursuant to this Policy. For more information about Rule 10b5-1 trading plans, see Section VI below.

No officer, director or employee shall directly or indirectly communicate (or "tip") material, non-public information to anyone outside the Company (except in accordance with the Company's policies regarding the protection or authorized external disclosure of Company information) or to anyone within the Company other than on a need-to-know basis.

Penalties for Engaging in Insider Trading

Penalties for trading on or tipping material, non-public information can extend significantly beyond any profits made or losses avoided, both for individuals engaging in such unlawful conduct and their employers. The Securities and Exchange Commission ("SEC") and Department of Justice have made the civil and criminal prosecution of insider trading violations a top priority. Enforcement remedies available to the government or private plaintiffs under the federal securities laws include:

- SEC administrative sanctions.
- Securities industry self-regulatory organization sanctions.
- Civil injunctions.
- Damage awards to private plaintiffs.
- Disgorgement of all profits.
- Civil fines for the violator of up to three times the amount of profit gained, or loss avoided.
- Civil fines for the employer or other controlling person of a violator (i.e., where the violator is an employee or other controlled person) of up to the greater of $1,425,000 or three times the amount of profit gained, or loss avoided by the violator.
- Criminal fines for individual violators of up to $5,000,000 ($25,000,000 for an entity); and
- Jail sentences of up to 20 years.

In addition, insider trading could result in serious sanctions by the Company, including dismissal. Insider trading violations are not limited to violations of the federal securities laws. Other federal and state civil or criminal laws, such as the laws prohibiting mail and wire fraud and the Racketeer Influenced and Corrupt Organizations Act (RICO), also may be violated in connection with insider trading.

Size of Transaction and Reason for Transaction Do Not Matter

The size of the transaction or the amount of profit received does not have to be significant to result in prosecution. The SEC has the ability to monitor even the smallest trades, and the SEC performs routine market surveillance. Brokers or dealers are required by law to inform the SEC of any possible violations by people who may have material, non-public information. The SEC aggressively investigates even small insider trading violations.

Examples of Insider Trading

Examples of insider trading cases include actions brought against corporate officers, directors, and employees who traded in a company's securities after learning of significant confidential corporate developments; friends, business associates, family members and other tippees of such officers, directors, and employees who traded in the securities after receiving such information; government employees who learned of such information in the course of their employment; and other persons who misappropriated, and took advantage of, confidential information from their employers.

The following are illustrations of insider trading violations. These illustrations are hypothetical and, consequently, not intended to reflect on the actual activities or business of the Company or any other entity.

1. Trading by Insider

An officer of X Corporation learns that earnings to be reported by X Corporation will increase dramatically. Prior to the public announcement of such earnings, the officer purchases X Corporation's stock. The officer, an insider, is liable for all profits as well as penalties of up to three times the amount of all profits. The officer also is subject to, among other things, criminal prosecution, including up to $5,000,000 in additional fines and 20 years in jail. Depending upon the circumstances, X Corporation and the individual to whom the officer reports also could be liable as controlling persons.

2. Trading by Tippee

An officer of X Corporation tells a friend that X Corporation is about to publicly announce that it has concluded an agreement for a major acquisition. This tip causes the friend to purchase X Corporation's stock in advance of the announcement. The officer is jointly liable with his friend for all of the friend's profits, and each is liable for all civil penalties of up to three times the amount of the friend's profits. The officer and his friend are also subject to criminal prosecution and other remedies and sanctions, as described above.

Prohibition of Records Falsification and False Statements

Section 13(b)(2) of the 1934 Act requires companies subject to the Act to maintain proper internal books and records and to devise and maintain an adequate system of internal accounting controls. The SEC has supplemented the statutory requirements by adopting rules that prohibit (1) any person from falsifying records or accounts subject to the above requirements and (2) officers or directors from making any materially false, misleading, or incomplete statement to any accountant in connection with any audit or filing with the SEC. These provisions reflect the SEC's intent to discourage officers, directors, and other persons with access to the Company's books and records from taking action that might result in the communication of materially misleading financial information to the investing public.

II. STATEMENT OF PROCEDURES PREVENTING INSIDER TRADING

The following procedures have been established, and will be maintained and enforced, by the Company to prevent insider trading. Every officer, director and employee are required to follow these procedures.

Pre-Clearance of All Trades by All Officers, Directors, and Certain Em pbyees

To provide assistance in preventing inadvertent violations of applicable securities laws and to avoid the appearance of impropriety in connection with the purchase and sale of the Company's securities, all transactions in the Company's securities (including without limitation, acquisitions and dispositions of Company stock, the exercise of stock options and the sale of Company stock issued upon exercise of stock options) by officers, directors and certain employees listed on Schedule I (as amended from time to time) (each, a "Pre-Clearance Person"), whether during an open window or otherwise, must be pre-cleared by the Insider Trading Compliance Officer. Pre-clearance does not relieve anyone of his or her responsibility under SEC rules.

A request for pre-clearance must be in writing (including by e-mail) and should be made at least two business days in advance of the proposed transaction and should include the identity of the Pre-Clearance Person, the type of proposed transaction (for example, an open market purchase, a privately negotiated sale, an option exercise, etc.), the proposed date of the transaction and the number of shares or other securities to be involved. In addition, the Pre-Clearance Person must execute a certification (in the form approved by the Insider Trading Compliance Officer) that he or she is not aware of material nonpublic information about the Company. The Insider Trading Compliance Officer shall have sole discretion to decide whether to clear any contemplated transaction. (The Chief Executive Officer shall have sole discretion to decide whether to clear transactions by the Insider Trading Compliance Officer or persons or entities subject to this policy as a result of their relationship with the Insider Trading Compliance Officer.) All trades that are pre-cleared must be affected within five business days of receipt of the pre-clearance unless a specific exception has been granted by the Insider Trading Compliance Officer. A pre-cleared trade (or any portion of a pre-cleared trade) that has not been effected during the five-business day period must be pre-cleared again prior to execution. Notwithstanding receipt of pre-clearance, if the Pre-Clearance Person becomes aware of material non-public information or becomes subject to a black-out period before the transaction is affected, the transaction may not be completed.

None of the Company, the Insider Trading Compliance Officer or the Company's other employees will have any liability for any delay in reviewing, or refusal of, a request for pre-clearance submitted pursuant to this Section IV.A. Notwithstanding any pre-clearance of a transaction pursuant to this Section IV.A, none of the Company, the Insider Trading Compliance Officer or the Company's other employees assumes any liability for the legality or consequences of such transaction to the person engaging in such transaction.

Black-Out Periods

Additionally, no officer, director or employee listed on Schedule I (as amended from time to time) shall purchase or sell any security of the Company during the period beginning on the 15th calendar day before the end of any fiscal quarter of the Company and ending upon completion of the second full trading day after the public release of earnings data for such fiscal quarter or during any other trading suspension period declared by the Company, and no other employee shall purchase or sell any security of the Company during the period beginning on the 5th trading day before the end of any fiscal quarter of the Company and ending upon completion of the second full trading day after the public release of earnings data for such fiscal quarter or during any other trading suspension period declared by the Company. For the purposes of this Policy, a "trading day" is a day on which national stock exchanges are open for trading. These prohibitions do not apply to:

- purchases of the Company's securities from the Company or sales of the Company's securities to the Company.
- exercises of stock options or other equity awards the surrender of shares to the Company in payment of the exercise price or in satisfaction of any tax withholding obligations in a manner permitted by the applicable equity award agreement, or vesting of equity-based awards that do not involve a market sale of the Company's securities (the "cashless exercise" of a Company stock option through a broker does involve a market sale of the Company's securities, and therefore would not qualify under this exception);
- *bona fide* gifts of the Company's securities; and
- purchases or sales of the Company's securities made pursuant to any binding contract, specific instruction or written plan entered into while the purchaser or seller, as applicable, was unaware of any material, non-public information and which contract, instruction or plan (i) meets all requirements of the affirmative defense provided by Rule 10b5-1, (ii) was pre-cleared in advance pursuant to this Policy and (iii) has not been amended or modified in any respect after such initial pre-clearance without such amendment or modification being pre-cleared in advance pursuant to this Policy.

Exceptions to the black-out period policy may be approved only by the Insider Trading Compliance Officer or, in the case of exceptions for directors, the Board of Directors.

From time to time, the Company, through the Board of Directors or the Insider Trading Compliance Officer, may recommend that officers, directors, employees, or others suspend trading in the Company's securities because of developments that have not yet been disclosed to the public. Subject to the exceptions noted above, all those affected should not trade in our securities while the suspension is in effect and should not disclose to others that we have suspended trading.

Post-Termination Transactions

With the exception of the pre-clearance requirement, this Policy continues to apply to transactions in the Company's securities even after termination of service to the Company. If an individual is in possession of material, non-public information when his or her service terminates, that individual may not trade in the Company's securities until that information has become public or is no longer material.

Information Relating to the Company

1. Access to Information

Access to material, non-public information about the Company, including the Company's business, earnings, or prospects, should be limited to officers, directors, and employees of the Company on a need-to-know basis. In addition, such information should not be communicated to anyone outside the Company under any circumstances (except in accordance with the Company's policies regarding the protection or authorized external disclosure of Company information) or to anyone within the Company on an other than need-to-know basis.

In communicating material, non-public information to employees of the Company, all officers, directors, and employees must take care to emphasize the need for confidential treatment of such information and adherence to the Company's policies with regard to confidential information.

2. Inquiries From Third Parties

Inquiries from third parties, such as industry analysts or members of the media, about the Company should be directed to the VP of Communications.

Limitations on Access to Company Information

The following procedures are designed to maintain confidentiality with respect to the Company's business operations and activities.

All officers, directors and employees should take all steps and precautions necessary to restrict access to, and secure, material, non-public information by, among other things:

- Maintaining the confidentiality of Company-related transactions.
- Conducting their business and social activities so as not to risk inadvertent disclosure of confidential information. Review of confidential documents in public places should be conducted so as to prevent access by unauthorized persons.
- Restricting access to documents and files (including computer files) containing material, non-public information to individuals on a need-to-know basis (including maintaining control over the distribution of documents and drafts of documents).
- Promptly removing and cleaning up all confidential documents and other materials from conference rooms following the conclusion of any meetings.
- Disposing of all confidential documents and other papers, after there is no longer any business or other legally required need, through shredders when appropriate.
- Restricting access to areas likely to contain confidential documents or material, non-public information.
- Safeguarding laptop computers, tablets, memory sticks, CDs and other items that contain confidential information; and
- Avoiding the discussion of material, non-public information in places where the information could be overheard by others such as in elevators, restrooms, hallways, restaurants, airplanes, or taxicabs.

Personnel involved with material, non-public information, to the extent feasible, should conduct their business and activities in areas separate from other Company activities.

III. ADDITIONAL PROHIBITED TRANSACTIONS

The Company has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct if the persons subject to this Policy engage in certain types of transactions. Therefore, officers, directors and employees shall comply with the following policies with respect to certain transactions in the Company securities:

Short Sales

Short sales of the Company's securities evidence an expectation on the part of the seller that the securities will decline in value, and therefore signal to the market that the seller has no confidence in the Company or its short-term prospects. In addition, short sales may reduce the seller's incentive to improve the Company's performance. For these reasons, short sales of the Company's securities are prohibited by this Policy. In addition, as noted below, Section 16(c) of the 1934 Act absolutely prohibits Section 16 reporting persons from making short sales of the Company's equity securities, *i.e.,* sales of shares that the insider does not own at the time of sale, or sales of shares against which the insider does not deliver the shares within 20 days after the sale.

Publicly Traded Options

A transaction in options is, in effect, a bet on the short-term movement of the Company's stock and therefore creates the appearance that an officer, director or employee is trading based on inside information. Transactions in options also may focus an officer's, director's, or employee's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in puts, calls or other derivative securities involving the Company's equity securities, on an exchange or in any other organized market, are prohibited by this Policy.

Hedging Transactions

Certain forms of hedging or monetization transactions, such as zero-cost collars and forward sale contracts, allow an officer, director, or employee to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the officer, director, or employee to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, the officer, director or employee may no longer have the same objectives as the Company's other stockholders. Therefore, such transactions involving the Company's equity securities are prohibited by this Policy.

Purchases of the Company's Securities on Margin; Pledging the Company's Securities to Secure Margin or Other Loans

Purchasing on margin means borrowing from a brokerage firm, bank, or other entity in order to purchase the Company's securities (other than in connection with a cashless exercise of stock options under the Company's equity plans). Margin purchases of the Company's securities are prohibited by this Policy. Pledging the Company's securities as collateral to secure loans is also prohibited. This prohibition means, among other things, that you cannot hold the Company's securities in a "margin account" (which would allow you to borrow against your holdings to buy securities).

Partnership Distributions

Nothing in this Policy is intended to limit the ability of a venture capital partnership or other similar entity with which a director is affiliated to distribute Company securities to its partners, members, or other similar persons. It is the responsibility of each affected director and the affiliated entity, in consultation with their own counsel (as appropriate), to determine the timing of any distributions, based on all relevant facts and circumstances and applicable securities laws.

IV. RULE 10b5-1 TRADING PLANS, SECTION 16, AND RULE 144

Rule 10b5-1 Trading Plans

1. Overview

Rule 10b5-1 will protect directors, officers, and employees from insider trading liability under Rule 10b5-1 for transactions under a previously established contract, plan, or instruction to trade in the Company's stock (a "Trading Plan") entered into in good faith and in accordance with the terms of Rule 10b5-1 and all applicable state laws and will be exempt from the trading restrictions set forth in this Policy. The initiation of, and any modification to, any such Trading Plan will be deemed to be a transaction in the Company's securities, and such initiation or modification is subject to all limitations and prohibitions relating to transactions in the Company's securities. Each such Trading Plan, and any modification thereof, must be submitted to and pre-approved by the Insider Trading Compliance Officer, or such other person as the Board of Directors may designate from time to time (the "Authorizing Officer"), who may impose such conditions on the implementation and operation of the Trading Plan as the Authorizing Officer deems necessary or advisable. However, compliance of the Trading Plan to the terms of Rule 10b5-1 and the execution of transactions pursuant to the Trading Plan are the sole responsibility of the person initiating the Trading Plan, not the Company or the Authorizing Officer.

Trading Plans do not exempt individuals from complying with Section 16 short-swing profit rules or liability.

Rule 10b5-1 presents an opportunity for insiders to establish arrangements to sell (or purchase) Company stock without the restrictions of trading windows and black-out periods, even when there is undisclosed material information. A Trading Plan may also help reduce negative publicity that may result when key executives sell the Company's stock. Rule 10b5-1 only provides an "affirmative defense" in the event there is an insider trading lawsuit. It does not prevent someone from bringing a lawsuit.

A director, officer or employee may enter into a Trading Plan only when he or she is not in possession of material, non-public information, and only during a trading window period outside of the trading black-out period. Although transactions effected under a Trading Plan will not require further pre-clearance at the time of the trade, any transaction (including the quantity and price) made pursuant to a Trading Plan of a Section 16 reporting person must be reported to the Company promptly on the day of each trade to permit the Company's filing coordinator to assist in the preparation and filing of a required Form 4.

The Company reserves the right from time to time to suspend, discontinue, or otherwise prohibit any transaction in the Company's securities, even pursuant to a previously approved Trading Plan, if the Authorizing Officer or the Board of Directors, in its discretion, determines that such suspension, discontinuation or other prohibition is in the best interests of the Company. Any Trading Plan submitted for approval hereunder should explicitly acknowledge the Company's right to prohibit transactions in the Company's securities. Failure to discontinue purchases and sales as directed shall constitute a violation of the terms of this Section VI and result in a loss of the exemption set forth herein.

Officers, directors, and employees may adopt Trading Plans with brokers that outline a pre-set plan for trading of the Company's stock, including the exercise of options. Trades pursuant to a Trading Plan generally may occur at any time. However, the Company requires a cooling-off period of 30 days between the establishment of a Trading Plan and commencement of any transactions under such plan. An individual may adopt more than one Trading Plan. Please review the following description of how a Trading Plan works.

Pursuant to Rule 10b5-1, an individual's purchase or sale of securities will not be "on the basis of" material, non-public information if:

- First, before becoming aware of the information, the individual enters into a binding contract to purchase or sell the securities, provides instructions to another person to sell the securities or adopts a written plan for trading the securities (i.e., the Trading Plan).
- Second, the Trading Plan must either:
    - specify the amount of securities to be purchased or sold, the price at which the securities are to be purchased or sold and the date on which the securities are to be purchased or sold.
    - include a written formula or computer program for determining the amount, price, and date of the transactions; or
    - prohibit the individual from exercising any subsequent influence over the purchase or sale of the Company's stock under the Trading Plan in question.
- Third, the purchase or sale must occur pursuant to the Trading Plan and the individual must not enter into a corresponding hedging transaction or alter or deviate from the Trading Plan.

2. Revocation of to Trading Plans

Revocation of Trading Plans should occur only in unusual circumstances. Effectiveness of any revocation of a Trading Plan will be subject to the prior review and approval of the Authorizing Officer. Once a Trading Plan has been revoked, the participant should wait at least 30 days before trading outside of a Trading Plan and 180 days before establishing a new Trading Plan. You should note that revocation of a Trading Plan can result in the loss of an affirmative defense for past or future transactions under a Trading Plan. You should consult with your own legal counsel before deciding to revoke a Trading Plan. In any event, you should not assume that compliance with the 180-day bar will protect you from possible adverse legal consequences of a Trading Plan revocation.

Amendments to Trading Plans will not be allowed.

Under certain circumstances, a Trading Plan *must* be revoked. This may include circumstances such as the announcement of a merger or the occurrence of an event that would cause the transaction either to violate the law or to have an adverse effect on the Company. The Authorizing Officer or administrator of the Company's stock plans is authorized to notify the broker in such circumstances, thereby insulating the insider in the event of revocation.

3. Discretionary Plans

Although non-discretionary Trading Plans are preferred, discretionary Trading Plans, where the discretion or control over trading is transferred to a broker, are permitted if pre-approved by the Authorizing Officer.

The Authorizing Officer must pre-approve any Trading Plan, arrangement, or trading instructions, etc., involving potential sales or purchases of the Company's stock or option exercises, including but not limited to, blind trusts, discretionary accounts with banks or brokers, or limit orders. The actual transactions effected pursuant to a pre-approved Trading Plan will not be subject to further pre-clearance for transactions in the Company's stock once the Trading Plan or other arrangement has been pre-approved.

4. Reporting (if required)

If required, an SEC Form 144 will be filled out and filed by the individual/brokerage firm in accordance with the existing rules regarding Form 144 filings. A footnote at the bottom of the Form 144 should indicate that the trades "are in accordance with a Trading Plan that complies with Rule 10b5-1 and expires ___ ." For Section 16 reporting persons, Form 4s should be filed before the end of the second business day following the date that the broker, dealer, or plan administrator informs the individual that a transaction was executed, provided that the date of such notification is not later than the third business day following the trade date. A similar footnote should be placed at the bottom of the Form 4 as outlined above.

5. Options

Exercises of options for cash may be executed at any time. "Cashless exercise" option exercises are subject to trading windows. However, the Company will permit same day sales under Trading Plans. If a broker is required to execute a cashless exercise in accordance with a Trading Plan, then the Company must have exercise forms attached to the Trading Plan that are signed, undated and with the number of shares to be exercised left blank. Once a broker determines that the time is right to exercise the option and dispose of the shares in accordance with the Trading Plan, the broker will notify the Company in writing and the administrator of the Company's stock plans will fill in the number of shares and the date of exercise on the previously signed exercise form. The insider should not be involved with this part of the exercise.

6. Trades Outside of a Trading Plan

During an open trading window, trades differing from Trading Plan instructions that are already in place are allowed as long as the Trading Plan continues to be followed.

7. Public Announcements

The Company may make a public announcement that Trading Plans are being implemented in accordance with Rule 10b5-1. It will consider in each case whether a public announcement of a particular Trading Plan should be made. It may also make public announcements or respond to inquiries from the media as transactions are made under a Trading Plan.

8. Prohibited Transactions

The transactions prohibited under Section V of this Policy, including among others short sales and hedging transactions, may not be carried out through a Trading Plan or other arrangement or trading instruction involving potential sales or purchases of the Company's securities.

9. No Section 16 Protection

The use of Trading Plans does not exempt participants from complying with the Section 16 reporting rules or liability for short-swing trades.

10. Limitation on Liability

None of the Company, the Authorizing Officer or the Company's other employees will have any liability for any delay in reviewing, or refusal of, a Trading Plan submitted pursuant to this Section VI.A. Notwithstanding any review of a Trading Plan pursuant to this Section VI.A, none of the Company, the Authorizing Officer or the Company's other employees assumes any liability for the legality or consequences relating to such Trading Plan to the person adopting such Trading Plan.

Section 16: Insider Reporting Requirements, Short-Swing Profits and Short Sales (Ap picable to Officers, Directors and 10% Stockholders)

1. Reporting Obligations Under Section 16(a): SEC Forms 3, 4, and 5

Section 16(a) of the 1934 Act generally requires all officers, directors and 10% stockholders ("insiders"), within 10 days after the insider becomes an officer, director, or 10% stockholder, to file with the SEC an "Initial Statement of Beneficial Ownership of Securities" on SEC Form 3 listing the amount of the Company's stock, options and warrants which the insider beneficially owns. Following the initial filing on SEC Form 3, changes in beneficial ownership of the Company's stock, options and warrants must be reported on SEC Form 4, generally within two days after the date on which such change occurs, or in certain cases on Form 5, within 45 days after fiscal year end. The two-day Form 4 deadline begins to run from the trade date rather than the settlement date. A Form 4 must be filed even if, as a result of balancing transactions, there has been no net change in holdings. In certain situations, purchases or sales of Company stock made in six months *prior* to the filing of a Form 3 must be reported on Form 4. Similarly, certain purchases or sales of Company stock made within six months *after* an officer or director ceases to be an insider must be reported on Form 4.

2. Recovery of Profits Under Section 16(b)

For the purpose of preventing the unfair use of information which may have been obtained by an insider, any profits realized by any officer, director or 10% stockholder from any "purchase" and "sale" of Company stock during a six-month period, so called "short-swing profits," may be recovered by the Company. When such a purchase and sale occurs, good faith is no defense. The insider is liable even if compelled to sell for personal reasons, and even if the sale takes place after full disclosure and without the use of any inside information.

The liability of an insider under Section 16(b) of the 1934 Act is only to the Company itself. The Company, however, cannot waive its right to short swing profits, and any Company stockholder can bring suit in the name of the Company. Reports of ownership filed with the SEC on Form 3, Form 4, or Form 5 pursuant to Section 16(a) (discussed above) are readily available to the public, and certain attorneys carefully monitor these reports for potential Section 16(b) violations. In addition, liabilities under Section 16(b) may require separate disclosure in the Company's annual report to the SEC on Form 10-K or its proxy statement for its annual meeting of stockholders. No suit may be brought more than two years after the date the profit was realized. However, if the insider fails to file a report of the transaction under Section 16(a), as required, the two-year limitation period does not begin until after the transactions giving rise to the profit have been disclosed. Failure to report transactions and late filing of reports require separate disclosure in the Company's proxy statement.

Officers and directors should consult the attached "Short-Swing Profit Rule Section 16(b) Checklist" attached hereto as "Attachment A" in addition to consulting the Insider Trading Compliance Officer prior to engaging in any transactions involving the Company's securities, including without limitation, the Company's stock, options, or warrants.

3. Short Sales Prohibited Under Section 16(c)

Section 16(c) of the 1934 Act prohibits insiders absolutely from making short sales of the Company's equity securities. Short sales include sales of stock which the insider does not own at the time of sale, or sales of stock against which the insider does not deliver the shares within 20 days after the sale. Under certain circumstances, the purchase or sale of put or call options, or the writing of such options, can result in a violation of Section 16(c). Insiders violating Section 16(c) face criminal liability.

The Insider Trading Compliance Officer should be consulted if you have any questions regarding reporting obligations, short-swing profits, or short sales under Section 16.

Rule 144 (Applicable to Officers, Directors and 10% Stockholders)

Rule 144 provides a safe harbor exemption to the registration requirements of the Securities Act of 1933, as amended, for certain resales of "restricted securities" and "control securities." "Restricted securities" are securities acquired from an issuer, or an affiliate of an issuer, in a transaction or chain of transactions not involving a public offering. "Control securities" are *any* securities owned by directors, executive officers, or other "affiliates" of the issuer, including stock purchased in the open market and stock received upon exercise of stock options. Sales of Company securities by affiliates (generally, directors, officers and 10% stockholders of the Company) must comply with the requirements of Rule 144, which are summarized below:

- ***Current Public Information.*** The Company must have filed all SEC-required reports during the last 12 months.
- ***Volume Limitations.*** Total sales of Company common stock by a covered individual for any three-month period may not exceed the *greater* of: (i) 1% of the total number of outstanding shares of Company common stock, as reflected in the most recent report or statement published by the Company, or (ii) the average weekly reported volume of such shares traded during the four calendar weeks preceding the filing of the requisite Form 144.
- ***Method of Sale.*** The shares must be sold either in a "broker's transaction" or in a transaction directly with a "market maker." A "broker's transaction" is one in which the broker does no more than execute the sale order and receive the usual and customary commission. Neither the broker nor the selling person can solicit or arrange for the sale order. In addition, the selling person or Board member must not pay any fee or commission other than to the broker. A "market maker" includes a specialist permitted to act as a dealer, a dealer acting in the position of a block positioner, and a dealer who holds himself out as being willing to buy and sell Company common stock for his own account on a regular and continuous basis.
- ***Notice of Proposed Sale.*** A notice of the sale (a Form 144) must be filed with the SEC at the time of the sale. Brokers generally have internal procedures for executing sales under Rule 144 and will assist you in completing the Form 144 and in complying with the other requirements of Rule 144.

If you are subject to Rule 144, you must instruct your broker who handles trades in Company securities to follow the brokerage firm's Rule 144 compliance procedures in connection with all trades.

V. ELECTRONIC SIGNATURE of COMPLIANCE

After reading this Policy, all officers, directors, and employees shall execute this policy through their electronic signature. By electronically signing this policy, the person acknowledges they:

- Have received, read, and understand the Company's Insider Trading Policy.
- Will comply with the Insider Trading Policy for as long as they are subject to the Policy.
- Understand that the Insider Trading Compliance Officer is available to answer any questions regarding the Insider Trading Policy.

The use of electronic signatures shall be of the same legal effect, validity, and enforceability as a manually executed signature to the fullest extent permitted by applicable law.

Exhibit 21.1

Subsidiaries of the Registrant

Subsidiary	State of Incorporation
Curation Foods, Inc.	Delaware
Lifecore Biomedical Operating Company, Inc.	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-207467), Form S-1 No. 333-271176) and Form S-8 (Nos. 333-193213, 333-221039, 333-234229, and 333-271175) of Lifecore Biomedical, Inc. (the Company) of our reports dated August 26, 2024, relating to the consolidated financial statements, and the effectiveness of the Company’s internal control over financial reporting, which appear in this Annual Report on Form 10-K. Our report on the effectiveness of internal control over financial reporting expresses an adverse opinion on the effectiveness of the Company’s internal control over financial reporting as of May 26, 2024.

/s/ BDO USA, P.C.

Minneapolis, Minnesota
August 26, 2024

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

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

(1) Registration Statements (Form S-8 Nos. 333-234229 and 333-271175) pertaining to the Landec Corporation 2019 Stock Incentive Plan;
(2) Registration Statements (Form S-8 Nos. 333-193213 and 333-221039) pertaining to the Landec Corporation 2013 Stock Incentive Plan; and
(3) Registration Statement (Form S-1 No. 333-271176) pertaining to the registration of up to 12,667,486 shares of common stock, including (i) 627,746 issued and outstanding shares of common stock and (ii) 12,039,740 shares of common stock issuable upon the conversion of shares of Series A Convertible Preferred Stock

of our reports dated March 19, 2024, with respect to the consolidated financial statements of Lifecore Biomedical, Inc. included in this Annual Report (Form 10-K) of Lifecore Biomedical, Inc. for the year ended May 26, 2024.

/s/ Ernst & Young LLP

Minneapolis, Minnesota
August 26, 2024

Exhibit 31.1

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

I, Paul Josephs, certify that:

1. I have reviewed this Annual Report on Form 10-K of Lifecore Biomedical, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 26, 2024

By: /s/ Paul Josephs
Paul Josephs
President and Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

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

I, John D. Morberg, certify that:

1. I have reviewed this Annual Report on Form 10-K of Lifecore Biomedical, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 26, 2024

By: /s/ John D. Morberg
John D. Morberg
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K of Lifecore Biomedical, Inc. (the "Company") for the period ended May 26, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul Josephs, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 26, 2024

By: /s/ Paul Josephs
Paul Josephs
President and Chief Executive Officer
(Principal Executive Officer)

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

Exhibit 32.2

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

In connection with the Annual Report on Form 10-K of Lifecore Biomedical, Inc. (the “Company”) for the period ended May 26, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John D. Morberg, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 26, 2024

By: /s/ John D. Morberg
John D. Morberg
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

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