



United States Department of Justice

Criminal Division

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*Fraud Section  
Bond Building  
1400 New York Avenue, NW  
Washington, D.C. 20530*

November 16, 2023

Manuel A. Abascal  
Latham & Watkins LLP  
355 South Grand Ave., Suite 100  
Los Angeles, CA 90071  
Manny.Abascal@lw.com

**Re: Lifecore Biomedical, Inc. (f/k/a Landec Corporation)**

Dear Counsel:

Consistent with the Criminal Division’s Corporate Enforcement and Voluntary Self-Disclosure Policy, the Department of Justice, Criminal Division, Fraud Section, and the United States Attorney’s Office for the Northern District of California (collectively, the “Government”), have declined prosecution of your client, Lifecore Biomedical, Inc. (f/k/a Landec Corporation) (“Lifecore” or the “Company”), for violations of the Foreign Corrupt Practices Act (the “FCPA”), 15 U.S.C. § 78dd-1, *et seq.*<sup>1</sup> We have reached this conclusion despite the bribery committed by employees and agents of the Company and its former U.S. subsidiary Yucatan Foods L.P. (“Yucatan”).

The Government’s investigation found evidence that between May 2018 and August 2019, certain of Yucatan’s officers, employees, and agents, including employees of Procesadora Tanok S. de R.L. de C.V. (“Tanok”)—a maquiladora<sup>2</sup> owned and operated by Yucatan in the Mexican state of Guanajuato—paid bribes to one or more Mexican government officials, both prior to and after Lifecore’s December 1, 2018 acquisition of Yucatan and Tanok. Specifically, these individuals engaged in a scheme to pay approximately \$14,000 in bribes to a government official through a third-party intermediary to secure a wastewater discharge permit. Tanok employees and agents also paid a third-party service provider approximately \$310,000 to prepare fraudulent manifests purporting to show the provider had delivered wastewater to a municipal water company

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<sup>1</sup> Although the Criminal Division’s Corporate Enforcement and Voluntary Self-Disclosure Policy applies to all FCPA matters handled by the Department of Justice, including matters jointly prosecuted by the Criminal Division and U.S. Attorneys’ Offices, a declination with disgorgement would also be the appropriate result under the February 2023 U.S. Attorneys’ Offices Voluntary Self-Disclosure Policy.

<sup>2</sup> A “maquiladora” is a manufacturing facility located in Mexico that is operated by a non-Mexican company—typically located in the United States—and exports its products to the country of the owner/operator under favorable tariff conditions.

for disposal while knowing that a portion of the fee was used to pay bribes to one or more local Mexican government officials to sign the manifests to help make them appear legitimate.

During Lifecore's pre-acquisition due diligence of Yucatan and Tanok, at least one Yucatan officer involved in the misconduct (the "Yucatan Officer") took affirmative steps to conceal the misconduct from Lifecore and its auditor. After Lifecore learned of the misconduct during post-acquisition integration, it initiated an internal investigation that led to the voluntary self-disclosure to the Criminal Division described below.

The Government has decided to decline prosecution of this matter based on an assessment of the factors set forth in the Criminal Division's Corporate Enforcement and Voluntary Self-Disclosure Policy and the Principles of Federal Prosecution of Business Organizations, Justice Manual 9-28.300, including but not limited to: (1) Lifecore's timely and voluntary self-disclosure of the misconduct, which it reported to the Criminal Division, Fraud Section's FCPA Unit within three months of first discovering the possibility of misconduct and hours after an internal investigation confirmed that misconduct had occurred; (2) Lifecore's full and proactive cooperation in this matter (including its provision of all known relevant facts about the misconduct), and its agreement to continue to cooperate with any ongoing government investigations and any prosecutions that might result in the future, including following Lifecore's divestiture of Tanok and the legacy Yucatan business; (3) the nature and seriousness of the offense; (4) Lifecore's timely and appropriate remediation, including the termination of the Yucatan Officer engaged in the in the bribe scheme, withholding that officer's bonus and other compensation, and substantially improving its compliance program and internal controls; and (5) the fact that Lifecore agrees to and will disgorge the costs it avoided having to pay as a result of the bribery scheme (as described below).

Pursuant to this letter agreement, Lifecore agrees to continue to fully cooperate in the Government's ongoing investigation, including but not limited to the continued provision of any information and making available for interviews and/or testimony those officers, employees, or agents who possess relevant information, as determined in the sole discretion of the Government. Lifecore further represents to the Government that it made continued cooperation with the Government's ongoing investigation a material condition of any transfer of control to Lifecore's successor-in-interest following its divestiture of the legacy Yucatan and Tanok business. Lifecore further agrees that if it enters into a merger agreement or is acquired, it will require that its successor-in-interest agree to the obligations set forth in this letter agreement, including continued cooperation with the Government's investigation.

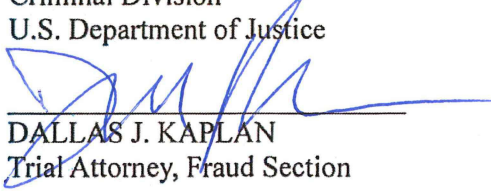
Lifecore further agrees that the financial benefit fairly attributable to the bribery conduct, *i.e.*, the costs Lifecore avoided paying that were associated with needed on-site wastewater treatment as well as duties that otherwise would have been due and payable to Mexican regulatory authorities, was \$1,286,060 USD. Because Lifecore has already incurred \$879,555 USD in expenses by constructing a wastewater treatment plant and paying Mexican regulators the duties it owed, Lifecore agrees to disgorge the remaining amount of costs avoided, *i.e.*, \$406,505 USD.

This letter agreement does not provide any protection against prosecution of any individuals, regardless of their affiliation with the Company. If the Government learns information that changes its assessment of any of the factors outlined above, it may reopen its inquiry.

Sincerely,

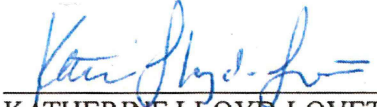
GLENN S. LEON  
Chief, Fraud Section  
Criminal Division  
U.S. Department of Justice

BY:

  
DALLAS J. KAPLAN  
Trial Attorney, Fraud Section

ISMAIL J. RAMSEY  
United States Attorney  
Northern District of California

BY:

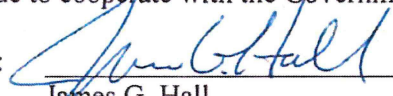
  
KATHERINE LLOYD-LOVETT  
Assistant United States Attorney  
United States Attorney's Office

I have read this letter agreement and carefully reviewed every part of it with outside counsel for Lifecore Biomedical, Inc. The Board of Directors of Lifecore has been advised of the terms of this letter agreement. I understand the terms of this letter agreement and, on behalf of Lifecore, voluntarily agree and consent to the facts and conditions set forth herein, including to pay the net disgorgement amount of \$406,505 and to continue to cooperate with the Government.

Date:

11/16/2023

BY:

  
James G. Hall  
Chief Executive Officer