Risk Factors Comparison 2023-06-27 to 2022-06-22 Form: 10-K

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You should carefully consider the risks described below which we believe are significant but not the only ones we face. Any of the following risks could have a material adverse effect on our business, financial condition and operating results. You should also refer to the other information contained in this report, including our financial statements and the related notes. ~~The coronavirus pandemic ("~~ **General economic conditions affecting the dietary supplement industry and various operating factors and the health of the economy in general may affect our business and operating results. Our operations and financial performance may be affected by general economic conditions such as volatility and disruptions, diminished liquidity and credit market conditions and the level of consumer confidence. Inflation may affect our business by reducing consumer spending, which may impact sales growth and our underlying costs. We have observed increased inflation during the past year with varying impacts on our business. If increases in energy costs and inflationary trends continue, our business and operating results could be adversely affected. We may also experience adverse impacts to our business as a result of consumers' perceptions of the economy, and a decrease in their personal financial condition could hurt overall consumer confidence and reduce demand for our products. Consumers may reduce non- essential items, purchase value- oriented products or increasingly rely on dietary supplement discounters in an effort to secure their products, which could impact our operating results. In addition, adverse changes in the U. S. economy, consumer confidence and economic conditions could have an adverse effect on our operating results. Variants of** COVID- 19 ~~")~~ or other **future** public health ~~epidemics~~ **crisis** may adversely affect our business, results of operations, financial condition, liquidity, and cash flow. **Spread** ~~Our operations expose us to risks associated with a pandemic, or outbreak~~ of **variants related to** ~~contagious diseases in the human population, including the~~ COVID- 19 **or future** ~~pandemic~~ **pandemics and** ~~. The COVID- 19 pandemic has resulted in governments around~~ the ~~world implementing stringent~~ measures **taken in response could adversely** ~~to help control the spread of the virus. These measures currently and will continue to~~ impact ~~us,~~ our ~~customers, employees, consumers, contract manufacturers and others with whom we do~~ business **,** ~~. The results have the potential to negatively affect our business including its~~ financial condition ~~, demand for our products~~ and ~~contribute~~ **results of operation and heighten many of the other risks described throughout this report, including but not limited** to ~~volatile~~ **those relating to our operating strategy,** supply **chain, increased labor costs, availability of labor, disruption in operations, loss of key employees, our indebtedness,** and ~~demand~~ **general economic** conditions ~~affecting prices and volumes in the markets for our products and raw materials~~ . ~~Our farming operations depend on the availability of labor,~~ **We may also experience a negative impact from government mandated restrictions and community response measures** which **may disrupt** ~~must be physically present at the farm. If our farm workers are unable to travel to our facility, perform their job responsibilities (whether due to illness, travel restrictions, shelter- in- place orders or~~ **our business** ~~other causes), or we are unable to recruit employees, we will be unable to prepare our farms for future harvesting, drying~~ and ~~warehousing. If this~~ **thus negatively** ~~occurs, it could substantially~~ impact our ~~inventories and have a material adverse effect on the Company's~~ financial results ~~and operations. The Company continues to follow the guidelines established by governmental authorities and take preventative and protective measures to ensure the safety of our workforce and has a formal Infectious Disease Preparedness Plan. These include implementing remote working arrangements across our administrative offices, varying procedures and protocols at various facilities, social distancing, the use of protective screens and face masks and imposing visitor and travel restrictions. However, we cannot be certain that these measures will be successful in ensuring the health of our workforce. Notwithstanding our level of continued operations and our designation as an essential business in Hawaii, the COVID- 19 pandemic during the fiscal year has limited our ability to promote our products in brick and mortar locations and to meet with customers and vendors and it has created delays in our supply chain operations~~ . Our production of algae involves an agricultural process, subject to such risks as weather, disease, contamination, water availability and climate change. The production of our algae products involves complex agricultural systems with inherent risks including weather, disease, and contamination. These risks are unpredictable and also include such elements as the control and balance of necessary nutrients and other factors. The efficient and effective cultivation of microalgae requires consistent light, warm temperatures, low rainfall and proper chemical balance in a very nutrient- rich environment. If the chemical composition of a pond changes from its required balance, unusually high levels of contamination due to the growth of unwanted organisms or other biological problems may occur and would result in a loss of harvestable output. These often arise without warning and sometimes there are few or no clear indicators as to appropriate remediation or corrective measures. We believe that our technology, systems, processes and favorable growing location generally permit year-round harvest of our microalgal products in a cost- effective manner. However, environmental factors cannot be controlled in an open- air environment, therefore, we cannot, and do not attempt to, provide any form of assurance with regard to our systems, processes, location, or cost- effectiveness. In the event that we need to take steps to correct any chemical imbalance or contamination of our ponds, including by re- inoculating the ponds, such measures may not be effective and could interrupt production. To the extent that our production is negatively impacted by environmental factors, we may be unable to fill large orders for one or more months until such time that production improves. The efficient and effective cultivation and processing of microalgae requires a consistent supply of fresh water and cold ocean water. If the availability and or quality composition of water changes from its required levels, problems may occur that could result in a loss of harvestable output. Hawaii from time to time has experienced shortages of water, electric power and fuels. Future shortages could disrupt our operations and could result in additional expense. Our **astaxanthin** ~~Hawaiian Spirulina Pacifica ®~~ is cultivated in a combination of fresh water and deep ocean water. In the case of deep ocean water, although abundantly available at this location, the facility to pump and deliver the water to our location is owned by the State of Hawaii. The State of Hawaii sets the price for deep ocean water annually based on its cost to deliver the water. Any significant increase in the price could adversely affect our business. The availability and price of water could also be impacted by a significant population growth in the region as well as throughput constraints on the water delivery infrastructure. In June 2017, several fresh- water pumps owned by the County of Hawaii were disabled, and the county instituted restrictions on fresh water supply. We have adopted several water savings strategies to mitigate this challenge, but there is no guarantee that they will be effective or that they will not have unforeseen negative effects on the growth of spirulina. If we are unable to obtain enough fresh water at reasonable prices to cultivate our products, our business could be negatively impacted. Climate change has not impacted weather at our location on Hawaii Island. We have experienced both dry and wet periods of weather, but it has not affected production. However, there can be no guarantee that future climate change will not affect our production. There is risk in operating entirely in one business segment such as the cultivation and production of microalgae at a single production facility. Single location agricultural and production facilities do not provide the protections and assurances afforded by operations in two or more widely separated locations. Our single location in Hawaii is susceptible to unfavorable weather patterns and catastrophic natural disasters such as earthquakes, tsunamis, hurricanes and volcanic eruptions. In the event of a natural disaster or localized extended outages of critical utilities or transportation systems, we could experience a significant business interruption. Also, a single agricultural facility provides limited biologic diversity protection against invasive, mutant, or harmful organisms. Our facilities in Hawaii are located adjacent to a major airport, and an aircraft disaster could disrupt our operations. Our production facility and corporate headquarters in Hawaii are located adjacent to the Keahole International Airport. In the event of an aircraft disaster, we could experience a significant business interruption, including loss of water, electrical and communication services as well as inability to access our facilities. Unfavorable publicity or consumer perception of our products and any similar products distributed by other companies could have a material adverse effect on our business. The dietary supplements market is highly dependent upon consumer perception regarding the safety, efficacy and quality of dietary supplements. Consumer perception of our products can be significantly influenced by scientific research and findings, as well as by national media attention and other publicity regarding the consumption of dietary supplements. There can be no assurance that future research or publicity will be favorable to the dietary supplements market or any product in particular, or consistent with earlier publicity. Our dependence on consumer perception means that any adverse reports, findings or publicity, whether or not accurate or with merit, could have a material adverse effect on the demand for our products and on our results of operations, cash flow and financial condition. We may become subject to legal proceedings. We may become subject to claims and legal proceedings in the ordinary course of business. The costs of such proceedings could vary from quarter to quarter based on the status of the proceedings and could have a material impact on our results in any given quarter. The dietary supplement products industry is extremely competitive. Many of our significant competitors have greater financial and other resources than we do, and one or more of these competitors could use their greater resources to gain market share at our expense. The dietary supplement products market includes international, national, regional and local producers and distributors, many of whom have substantially greater production, financial, research and development, personnel and marketing resources than we do, and many of whom offer a greater variety of products. As a result, each of these companies could compete more aggressively and sustain that competition over a longer period of time than we could. Our lack of resources relative to our significant competitors may cause us to fail to anticipate or respond adequately to development of new products and changing consumer demands and preferences or may cause us to experience significant delays in obtaining or introducing new or enhanced products. These failures or delays could reduce our competitiveness and cause a decline in our market share and sales. Increased competition in our industry could result in price reductions, reduced gross profit margin or loss of market share, any of which could have a material effect on our business, results of operations and financial condition. We depend heavily on the unique abilities and knowledge of our officers and key personnel. If we are unable to recruit and retain key personnel, we may be unable to achieve our goals. Our success depends, to a significant extent, upon the services of our officers and key personnel, including qualified management, professional, scientific, and technical operating staff. The loss of any such personnel or the delay in the replacement of such personnel could significantly delay the achievement of our business objectives and could adversely affect our ability to do business or provide needed management. Attracting permanent skilled executives in Hawaii can be difficult due to limited local qualified applicants. If we are unable to attract qualified candidates, or if the search process takes longer than expected, it could adversely impact our business. Labor shortages could restrict our ability to operate or grow our business or result in increased labor costs that could adversely affect our results of operations. Our success depends in large part on our ability to attract, retain, train, manage and engage employees. The COVID- 19 pandemic has negatively affected the labor market for employers. **Post pandemic,** ~~Labor~~ **labor** shortages have affected the ability to hire or re- hire employees during the ongoing recovery from the downturn caused by the pandemic. For a large percentage of our business, our activities need to be performed in person at Kona. Our labor pool on the island of Hawaii is limited. Because payroll costs are a major component of the operating expenses a shortage of labor could also require higher wages that would increase labor costs, which could adversely affect our results of operations. Our operations are vulnerable because we have limited personnel and redundancy and backup systems in our data management function. Our internal order, inventory and product data management system is an electronic system through which orders are placed for our products and through which we manage product pricing, shipment, returns and other matters. This system' s continued and uninterrupted performance is critical to our day- to- day business operations. Despite our precautions, unanticipated interruptions in our computer and telecommunications systems have, in the past, caused problems or stoppages in this electronic system. These interruptions, and resulting problems, could occur again in the future. We also have limited personnel available to process purchase orders and to manage product pricing and other matters in any manner other than through this electronic system. Any significant interruption or delay in the operation of this electronic management system could cause a decline in our sales and profitability. The loss of a major customer, or a change in their procurement practices, could result in a material reduction in our revenues and profitability. Our top ten customers generated ~~63~~ **66 % and 74** % of our net sales for ~~both~~ fiscal years **2023 and fiscal** 2022 **, respectively** ~~and fiscal 2021~~ . Two customers individually accounted for **34 % and 6 %, and** 22 % and 19 ~~%, and 19 % and 17~~ % of our total net sales in the fiscal years ended March 31, **2023 and** 2022 ~~and 2021~~ , respectively. Accordingly, the loss of one or more of those customers or a substantial decrease in such customers' purchases from us could result in a material reduction in our revenues and profitability. We could be subject to breaches of our information technology systems, which could damage our reputation and customer relationships. Such breaches could subject us to significant reputational, financial, legal, and operational consequences. Our business relies on information systems to obtain, rapidly process, analyze and manage data to, among other things, facilitate the purchase and distribution of inventory items through numerous distributors ; receive, process and ship orders on a timely basis ; accurately bill and collect from customers ; process payments to suppliers ; and provide technical support to our customers. A cyber- attack that bypasses our security, or employee error, malfeasance or other disruptions that cause a security breach could lead to a material disruption of our information systems and / or the loss of business information. Such an attack could result in, among other things, the theft, destruction, loss, misappropriation or release of confidential data and intellectual property ; operational or business delays ; liability for a breach of personal information belonging to our customers or our employees ; and damage to our reputation any of which could have a material adverse effect on our business, financial condition, and results of operations. In the event of an attack, we would be exposed to a risk of loss or litigation and possible liability, including under laws that protect the privacy of personal information. Compliance with new and existing governmental regulations could increase our costs significantly and adversely affect our results of operations. The processing, formulation, manufacturing, packaging, labeling, advertising and distribution of our products are subject to federal laws and regulation by one or more federal agencies, including the FDA, the FTC, the United States Department of Agriculture (" USDA ") and the EPA. These activities are also regulated by various state, local and international laws and agencies of the states and localities in which our products are sold. Regulations may prevent or delay the introduction, or require the reformulation, of our products, which could result in lost sales and increased costs to us. A regulatory agency may not accept the evidence of safety for any new ingredients that we may want to market, may determine that a particular product or product ingredient presents an unacceptable health risk, may determine that a particular statement of nutritional support on our products or that parties use on the products we manufacture for them, or that we want to use on our products or that third parties want to use on the products we manufacture for them, is an unacceptable drug claim or an unauthorized version of a food " health claim ". A regulatory agency may determine that particular claims are not adequately supported by available scientific evidence. Any such regulatory determination would prevent us from marketing particular products or using certain statements on those products, which could adversely affect our sales of those products. Additional or more stringent laws and regulations of dietary supplements and other products have been considered from time to time. These developments could require reformulation of some products to meet new standards, recalls or discontinuance of some products not able to be reformulated, additional record- keeping requirements, increased documentation of the properties of some products, additional or different labeling, additional scientific substantiation, or other new requirements. Any of these developments could increase our costs significantly. In addition, regulators' evolving interpretation of existing laws could have similar effects. If we fail to comply with the reporting obligations of the Exchange Act and Section 404 of the Sarbanes Oxley Act or fail to maintain adequate internal control over financial reporting, our business, financial condition, and results of operations, and investors' confidence in us, could be materially and adversely affected. As a public company, we are required to comply with the periodic reporting obligations of the Securities Exchange Act of 1934, as amended (the " Exchange Act "), including preparing annual reports, quarterly reports, and current reports. Our failure to prepare and disclose this information in a timely manner and meet our reporting obligations in their entirety could subject us to penalties under federal securities laws and regulations of The Nasdaq Stock Market LLC (" NASDAQ "), expose us to lawsuits, and restrict our ability to access financing on favorable terms, or at all. In addition, pursuant to Section 404 of the Sarbanes Oxley Act, we are required to evaluate and provide a management report of our systems of internal control over financial reporting. During the course of the evaluation of our internal control over financial reporting, we could identify areas requiring improvement and could be required to design enhanced processes and controls to address issues identified through this review. This could result in significant delays and costs to us and require us to divert substantial resources, including management time, from other activities. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with the Sarbanes Oxley Act. Moreover, effective internal controls are necessary for us to produce reliable financial reports and are important to help prevent fraud. Any failure to maintain compliance with the requirements of Section 404 on a timely basis could result in the loss of investor confidence in the reliability of our financial statements, which in turn could, negatively impact the trading price of our stock, and adversely affect investors' confidence in the Company and our ability to access capital markets for financing. Our two largest shareholders own a substantial portion of our common stock and could exert substantial influence over our business, particularly if any of them choose to work together. Our two largest shareholders collectively own approximately 34. ~~5~~ **3** % of our common stock. According to publicly filed beneficial ownership reports, as of the respective dates of such reports, Michael Davis, chairman of our board of directors, beneficially owned 1, ~~222~~ **234** , ~~353~~ **598** of shares representing a 19. 7 % beneficial ownership and the Rudolf Steiner Foundation (" RSF"), beneficially owned 917, 133 shares representing a 14. ~~8~~ **6** % beneficial ownership ~~,~~ **.** The shares held by RSF were originally donated by a foundation affiliated with Mr. Davis or acquired from the proceeds of donations made by that foundation. In addition, Mr. Davis and RSF filed a Schedule 13D with the SEC on March 17, 2017 **,** announcing the formation of a " group " among the two of them and certain of Mr. Davis' affiliates under Section 13 of the Exchange Act. As part of the agreement between Mr. Davis and RSF, RSF has agreed not to sell, transfer or otherwise dispose of any of its shares in the Company unless RSF provides concurrent written notice to an affiliate of Mr. Davis and the Company at least three days prior to the consummation of any such sale, transfer or other disposition. In addition, on April 12, 2019, the Company borrowed $ 1. 5 million from an entity affiliated with Mr. Davis pursuant to an unsecured promissory note. In April 2021, the Company amended the loan, which extended the expiration to April 2024, converted $ 500, 000 into revolving loans, adjusted the interest rate to reflect a floor of 5 %, and granted a security interest in substantially all of the Company' s personal property assets, subject to limited exceptions. **In December 2022, the Company amended the promissory note which extended the maturity to April 2025 and increased the revolving line amount from $ 0. 5 million to $ 1. 0 million.** As of **both** March 31, **2023 and** 2022, $ 1. 0 million remained due under this promissory note **, and at March 31, 2023 and 2022, $ 0. 5 million and $ 0 were outstanding on the revolving line, respectively** . Our significant stockholders, particularly if they choose to work together, may have the ability to exert significant influence over our business policies and affairs on matters submitted to our stockholders for approval, such as the election or removal of directors, amendments to our certificate of incorporation, the approval of a business combination or certain corporate financing activities. The interests of our significant stockholders could differ from those of other stockholders in ways that could be adverse to the interests of other shareholders. For example, this concentration of ownership could have the effect of delaying or preventing a change of control of our company even if such a transaction is at a premium to the prevailing market price of our common stock and is supported by other shareholders. Concentration of ownership could also harm the market price of our common stock because investors may perceive disadvantages in owning stock in a company that a substantial portion of common stock is controlled by a small number of stockholders. Some provisions of our charter documents and Nevada law may discourage an acquisition of us by others, even if the acquisition may be in the best interest of our stockholders. Provisions in our Restated Articles of Incorporation and Amended and Restated Bylaws, as well as certain provisions of Nevada law, could make it more difficult for a third- party to acquire us, even if doing so may benefit our stockholders. These provisions include the authorization of " blank check " preferred stock, the rights, preferences and privileges of which may be established and shares of which may be issued by our board of directors at its discretion from time to time and without stockholder approval. Because we are incorporated in Nevada, we may be governed by Nevada' s statutes governing combinations with interested stockholders and control share acquisitions, which may discourage, delay or prevent someone from acquiring us or merging with us, whether or not it is desired by or beneficial to our stockholders. We have not opted out of the application of these laws but may elect to opt out in the future. Under Nevada' s laws governing combinations with interested stockholders, a Nevada corporation may not, in general, engage in certain types of business combinations with any beneficial owner of 10 % or more of the corporation' s voting shares or an affiliate of the corporation who at any time within two years immediately prior to the date in question was the beneficial owner of 10 % or more of the corporation' s voting shares, unless the holder has held the stock for two years or the board of directors approved the beneficial owner' s acquisition of its shares, the board of directors approved the transaction before the beneficial owner acquired its shares, or holders of at least a majority of the outstanding voting power approve the transaction after the beneficial owner acquired its shares. In addition, Nevada' s control share acquisition laws prohibit a purchaser of the shares of an issuing corporation from voting those shares, under certain circumstances and subject to certain limitations, after crossing specified threshold ownership percentages, unless the purchaser obtains the approval of the issuing corporation' s disinterested stockholders. Any provision of our Restated Articles of Incorporation or Amended and Restated Bylaws or of Nevada law that is applicable to us that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock in the event that a potentially beneficial acquisition is discouraged and could also affect the price that some investors are willing to pay for our common stock. A significant or prolonged economic downturn could have a material adverse effect on our results of operations. Our results of operations are affected by the business activity of our customers who in turn are affected by the level of economic activity in the industries and markets that they serve. A decline in the level of business activity of our clients or the economy as a whole could have a material adverse effect on our revenues and profit margin. The global cost of oil derived energy impacts us in several ways, and it may hinder our efforts to achieve profitability. Oil prices primarily impact us through the costs of electricity, transportation, materials and supplies which are tied to the cost of oil either directly or indirectly. The return of a high cost of oil on a global basis may signal a prolonged economic downturn resulting in a material adverse effect on our business. Our quarterly operating results may vary from quarter to quarter, which may result in increased volatility of our share price. We have experienced, and may in the future continue to experience, fluctuations in our quarterly operating results. These fluctuations could reduce the market price of our common stock. Factors that may cause our quarterly operating results to vary include, but are not limited to: ● weather- related cultivation difficulties; ● availability and cost of fresh water and ocean water; ● any non- routine legal fees; ● fluctuations in customer demand; ● business decisions of our customers regarding orders for our products; ● changes in energy costs; ● changes in raw material costs; ● production problems which we cannot solve technically or economically; ● contamination of our cultivation and production facilities; ● effects of weather on our ability to meet customer demand; ● timing of promotional activities; ● the introduction of new products by us or our competitors; ● changes in our pricing policies or those of our competitors; ● changes in seasonal and other trends in our customers' buying patterns; ● changes in government regulation, both domestic and foreign; ● fluctuation in foreign currency exchange rates; ● global economic and political conditions and related risks, including the impacts of ~~the~~ **a** global ~~COVID- 19~~ pandemic and acts of terrorism; and ● other factors beyond our control. A significant portion of our expense levels are relatively fixed. If net sales are below expectations in any given period, the adverse impact on results of operations may be magnified by our inability to reduce expenses quickly enough to compensate for the sales shortfall. Our global operations expose us to complex management, foreign currency, legal, tax and economic risks, which we may not be able to address quickly and adequately. Our products are marketed in a number of countries around the world. For the year ended March 31, ~~2022~~ **2023** , approximately ~~32~~ **27** % of our net sales were from sales to foreign customers. As a result, we are subject to a number of risks which include, but are not limited to: ● the burden of complying with a wide variety of national and local laws; ● potentially longer payment cycles for foreign sales; ● restrictions (government and otherwise) on the movement of cash; ● the absence in some jurisdictions of effective laws protecting our intellectual and proprietary property rights, or of enforcement of such laws where they do exist; ● changes in government regulations, both domestic and foreign, including changes in trade tariffs; ● global economic and political conditions and related risks, including acts of terrorism; and ● fluctuations in foreign currency exchange rates. Climate change initiatives could materially and adversely affect our business, financial condition, and results of operations. Our manufacturing processes require that we purchase significant quantities of energy from third parties, which results in the generation of greenhouse gases, either directly onsite or indirectly at electric utilities. Both domestic and international legislation to address climate change by reducing greenhouse gas emissions and establishing a price on carbon could create increases in energy costs and price volatility. Considerable international attention is now focused on development of an international policy framework to address climate change. Proposed and existing legislative efforts to control or limit greenhouse gas emissions could affect our energy source and supply choices as well as increase the cost of energy and raw materials derived from sources that generate greenhouse gas emissions. If our suppliers are unable to obtain energy at a reasonable cost in the future, the cost of our raw materials could be negatively impacted which could result in increased manufacturing costs. If we are unable to protect our intellectual property rights or if we infringe upon the intellectual property rights of others our business may be harmed. We regard our proprietary technology, trade secrets, trademarks and similar intellectual property as important and we rely on a combination of trade secret, contract, copyright and trademark law to establish and protect our rights in our products and technology. However, there can be no assurance that we will be able to protect our technology adequately or that competitors will not be able to develop similar technology independently, particularly following the recent expiration of our patents relating to the use of astaxanthin. In addition, the laws of certain foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States. Litigation in the United States or abroad may be necessary to enforce intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement. Such litigation, even if successful, could result in substantial costs and diversion of resources and could have a material adverse effect on our business, results of operations and financial condition. Additionally, if any such claims are asserted against us, we may seek to obtain a license under the third party' s intellectual property rights. There can be no assurance, however, that a license would be available on terms acceptable or favorable to us, if at all. Our insurance liability coverage is limited and may not be adequate to cover potential losses. In the ordinary course of business, we purchase insurance coverage (e. g., property and liability coverage) to protect us against loss of or damage to our properties and claims made by third parties and employees for property damage or personal injuries. However, the protection provided by such insurance is limited in significant respects and, in some instances, we have no coverage and certain of our insurance policies have substantial " deductibles " or limits on the maximum amounts that may be recovered. For example, if a volcanic eruption, tsunami, earthquake or other catastrophic natural disaster should occur, we may not be able to recover all facility restoration costs and revenues lost from business interruption. In addition, we maintain product liability insurance in limited amounts for all of our products involving human consumption; however, broader product liability coverage is prohibitively expensive. Insurers have also introduced new exclusions or limitations of coverage for claims related to certain perils including, but not limited to, mold and terrorism. If a series of losses occurred, such as from a series of lawsuits in the ordinary course of business each of which were subject to the deductible amount, or if the maximum limit of the available insurance were substantially exceeded, we could incur losses in amounts that would have a material adverse effect on our results of operations and financial condition. Our ability to develop and market new products or modify existing products and production methods may be adversely affected if we lose the services of or cannot replace certain employees knowledgeable in advanced scientific and other fields. Our products are derived from and depend on proprietary and non- proprietary processes and methods founded on advanced scientific knowledge, skills, and expertise. If the services of employees knowledgeable in these fields are lost and cannot be replaced in a reasonable time frame at reasonable costs, our ability to develop and market new products or modify existing products and production methods would be adversely impacted. At the same time, regulatory compliance surrounding our products and financial matters generally requires a basic knowledge and level of expertise related to production, quality assurance, and financial control. If we lose the services or cannot reasonably replace employees who have the necessary knowledge and expertise our ability to remain in regulatory compliance could be adversely affected. We may need to raise additional capital in the future which may not be available. We believe our cash to be provided from operations will be sufficient to meet our working capital and operating requirements for at least the next 12 months, but we may experience unexpected reductions in sales due to changes in customer demand, customer purchasing practices, or other factors described in these Risk Factors. If we have an unexpected decline in sales, or we have other unexpected capital needs, we may need to raise additional funds. There is no guarantee that we will be able to secure such funding on acceptable terms, if at all. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our then current stockholders may be reduced. If we raise additional funds through the issuance of convertible debt securities, or through additional debt or similar instruments, such securities, debt, or similar instruments could have rights senior to those of our common stockholders and such instruments could contain provisions restricting our operations. If adequate funds are not available to satisfy either short- term or long- term capital requirements, we may be required to limit operations with adverse results. We may not be able to refinance, extend or repay our senior indebtedness, which would have a material adverse effect on our financial condition and ability to continue as a going concern. As of March 31, ~~2022~~ **2023**, we owed First Foundation Bank (the " Bank ") approximately $ 3. ~~9~~ **5** million ~~, which consists of (i) $ 3. 7 million owing~~ under a Term Loan Agreement dated August 14, 2012, which requires monthly payments of principal and interest until its maturity on August 14, 2032 ~~, and (ii) $ 0. 2 million owing under a Term Loan Agreement dated July 30, 2015, which requires monthly payments of principal and interest until its maturity on September 1, 2022~~. If we are unable to make payments when due under ~~these~~ **this** ~~agreements~~ - **agreement**, or repay ~~these~~ **this** ~~obligations~~ - **obligation** at maturity, and we are otherwise unable to extend the maturity ~~dates~~ - **date** or refinance ~~these~~ **this** ~~obligations~~ - **obligation**, we would be in default. We cannot provide any assurances that we will be able to generate the necessary amount of capital to make payments as they become due, or to repay ~~these~~ **this** ~~obligations~~ - **obligation** , or that we will be able to extend the maturity ~~dates~~ - **date** or otherwise refinance ~~these~~ **this** ~~obligations~~ - **obligation** . In the event of default ~~on any of these loans~~ , the Bank would have the right to exercise its rights and remedies to collect, which would include foreclosing on our assets. Accordingly, a default would have a material adverse effect on our business and, if the Bank exercises its rights and remedies, we would likely be forced to seek bankruptcy protection. In addition, the agreements governing our indebtedness include certain debt service and other financial covenants that we must satisfy. In previous years, we have defaulted on certain of these covenants and have received waivers of the defaults from the Bank. As of March 31, ~~2019~~ **2023** , ~~we were~~ **the Company was** not in compliance with the required debt service coverage ratio ~~or the current ratio~~ , but the Bank provided a waiver of the default on June ~~17~~ **22** , ~~2019~~ **2023 and implemented an immediate freeze on any and all further advances of the Credit Agreement through the maturity date, with an outstanding balance in the amount of $ 1, 770. 000 as of June 21, 2023** . As of March 31, 2022 ~~and 2021~~ , we were in compliance with all of the required annual financial and debt covenants. We cannot provide any assurance that the Bank would provide us with a waiver should we not be in compliance in the future. A failure to maintain compliance along with our lender not agreeing to a waiver for the non- compliance would cause the outstanding borrowings to be in default and payable on demand which would have a material adverse effect on us and our ability to continue as a going concern. We have incurred significant losses in the past. If we incur significant losses in the future, we will experience negative cash flow which may hamper current operations and prevent us from sustaining or expanding our business. As of March 31, ~~2022~~ **2023** , we had an accumulated deficit of approximately $ ~~14~~ **17** . ~~2~~ **6** million, primarily as a result of prior year losses. Historically, we have relied upon cash from operations and financing activities to fund all of the cash requirements of our business. However, no assurance can be provided that we will return to profitability and, even if we do return to profitability, extended periods of profitability and net income do not assure positive cash flows. Future periods of net losses from operations could result in negative cash flow, may cause us to default on certain covenants in our existing debt instruments and may hamper ongoing operations and prevent us from sustaining or expanding our business. We cannot assure you that we will achieve, sustain or increase profitability on a quarterly or annual basis in the future. If we do not achieve, sustain or increase profitability, our business will be adversely affected and our stock price may decline **. Our recurring losses from operations resulting in net cash outflows from operating activities, as well as current cash and liquidity projections, raise substantial doubt about our ability to continue as a going concern. Based on our recurring losses from operations resulting in net cash outflows from operating activities for the fiscal year ended March 31, 2023, as well as current cash and liquidity projections, we have concluded that there is substantial doubt about our ability to continue as a going concern and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets, or the amounts and classification of liabilities that may result if we do not continue as a going concern. You should not rely on our consolidated balance sheet as an indication of the amount of proceeds that would be available to satisfy claims of creditors, and potentially be available for distribution to shareholders, in the event of liquidation** . Our stock price is volatile, which could result in substantial losses for investors purchasing shares of our common stock. Stock markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. In addition, the average daily trading volume of the securities of small companies can be very low. Limited trading volume of our stock may contribute to its future volatility. Price declines in our common stock could result from general market and economic conditions and a variety of other factors, including any of the following: ● volatility resulting from minimal trading activity; ● changes in market valuations of similar companies; ● stock market price and volume fluctuations generally; ● economic conditions specific to the dietary supplement products industry; ● economic conditions tied to global resource markets, such as fuel costs; ● announcements by us or our competitors of new or enhanced products or of significant contracts, acquisitions, strategic relationships, joint ventures or capital commitments; ● fluctuations in our quarterly or annual operating results; ● changes in our pricing policies or the pricing policies of our competitors; ● changes in foreign currency exchange rates affecting our product costs, pricing or our customers markets; ● regulatory developments effecting our specific products or industry; and ● additions or departures of key personnel. The price at which you purchase shares of our common stock may not be indicative of the price that will prevail later in the trading market. You may be unable to sell your shares of common stock at or above your purchase price, which may result in substantial losses to you. As of March 31, ~~2022~~ **2023** , there were approximately 6. ~~2~~ **3** million shares of our common stock outstanding and stockholders holding at least 5 % of our stock, individually or with affiliated persons or entities, collectively beneficially owned or controlled approximately 34. ~~2~~ **3** % of such shares. Sales of large numbers of shares by any of our large stockholders could adversely affect our trading price, particularly given our relatively small historic trading volumes. If stockholders holding shares of our common stock sell, indicate an intention to sell, or if it is perceived that they will sell, substantial amounts of their common stock in the public market, the trading price of our common stock could decline. Moreover, if there is no active trading market or if the volume of trading is limited, holders of our common stock may have difficulty selling their shares **. If we fail to maintain compliance with the continued listing standards of Nasdaq, our common stock may be delisted and have a material adverse effect on our business, results of operations, financial condition, liquidity and stock price. On May 2, 2023, we were notified by Nasdaq that the Company is not in compliance with Nasdaq' s Listing Rule 5550 (a) (2), as the minimum bid price of our common stock had been below $ 1. 00 per share for 30 consecutive business days. On June 15, 2023, we received a notification letter from Nasdaq that we had regained compliance with Listing Rule 5500 (a) (2), and we are in compliance with all applicable listing standards, but we can make no assurances that we will be able to maintain compliance with the continued listing standards of Nasdaq in the future. If we are unable to cure any event of noncompliance with any continued listing standard of Nasdaq within the applicable timeframe and other parameters set forth by Nasdaq, it may result in the delisting of our common stock from Nasdaq, which could negatively impact the trading price, trading volume, liquidity, availability of price quotations,**

news and analyst coverage of, and have other material adverse effects on, our common stock. Additionally, delisting may adversely impact the perception of the Company' s financial condition and cause reputational harm with investors and parties conducting business with the Company. The perceived decreased value of employee equity incentive awards may reduce their effectiveness in encouraging performance and retention. Each of these occurrences, individually or in the aggregate, could have a material adverse effect on our business . Recent European Union regulations include stringent requirements for health claims on food and supplement labels. The European Union has harmonized standards among Member States for health claims on food and supplement labels. The scientific assessment of health claims is performed by the European Food Safety Authority (" EFSA"), an advisory panel to the European Commission. The European Commission will consider the opinions of EFSA in determining whether to include a health claim on a Positive List of permissible claims. Once the list is published, only health claims for ingredients and products included on the list may be used in promotional materials for products marketed and sold in the European Union. This could severely decrease or limit the marketability for our products in this market area. We have implemented strategies that we believe will allow for continued and increasing sales of our products in the European Union. However, there can be no guarantee that such strategies will be successful. Item 2. Properties