

Risk Factors Comparison 2024-08-26 to 2024-03-20 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

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. ~~Risks– Risk Related to~~ **Factor Summary** Our ~~Business~~ **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** 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 ~~independent– dependent~~ **registered public accountants identified** 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 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, ~~our independent registered public accountants have identified~~ 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 part of preparing a result, our fiscal year 2022 consolidated control activities were ineffective and represent a material weakness. Additionally, material errors in the Company’s financial statements were ~~we identified errors in management’s conclusions~~ **the 2023 Annual Report, primarily relating to the areas of inventory valuation, the capitalization of interest on assets under construction, regarding recording of development revenue and related cost of sales, the presentation of certain amounts related to operating costs and expenses of continuing operations and discontinued operations as a result, and the write off of the other receivables of Eat Smart Disposition and impairment charges relates to the Company’s former Curation Foods businesses that were not collectible prior to the**, which resulted in errors in our previously reported consolidated balance sheets and quarterly statements of operations presented in our fiscal year **periods presented in the** 2022 third quarter and fiscal year 2022 consolidated financial statements. See Part II, Item 8. Financial Statements and Supplementary Data, Note 1 for further information. If the steps we take do not ~~correct~~ **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 ~~discovered~~ **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 28 26, 2023 2024, we had approximately \$ ~~176 164.35~~ **176.164.35** million in total indebtedness and \$ ~~40 12.53~~ **40.12.53** 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 ~~facilities~~ **agreements** may restrict our current and ~~future~~ **future operations** ~~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 ~~agreement~~ **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 ~~facilities~~ **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 facilities 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 flow 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 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. 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, each and may in the future have further, material adverse consequences to, and pose significant risks to, our business, each of which could materially and adversely affect our business, our financial condition and, 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 did not 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 have not yet filed information concerning the Restatement. Also, as further described "Note 12- Subsequent Events- Class Action Complaint" to our Quarterly unaudited consolidated financial statements contained in this Annual Report on Form 10-Qs with respect to 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 first fiscal quarter and second fiscal quarter of the Minnesota, captioned Carew v. Lifecore Biomedical, Inc., et. al., No. 0: 24- cv- 03028 (D. Minn. 2024), against us and certain of our current fiscal year and prior named executive officers (the "Defendants"). The complaint with the 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 requirements under, and financial prospects were false and misleading in violation of Section 10 (b) of the Exchange Act, nor and that the individual defendants are liable for such statements because they continued listing requirements are controlling persons under Section 20 (a) of Nasdaq the Exchange Act. As previously disclosed The complaint seeks compensatory damages, court costs on February 13, 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 has resulted in Nasdaq issuing a Staff delisting threatened litigation by 22NW, the Carew securities class action lawsuit, and the SEC investigation. In addition, any adverse determination, with respect in any of these matters could expose us to significant liabilities, which the Company has requested a hearing to appeal the determination. If Nasdaq declines our request, or our appeal is unsuccessful our Common Stock will be delisted on Nasdaq, which could negatively impact our Company and holders of our Common Stock, including by reducing the willingness of investors to hold our Common Stock because of the resulting decreased price, liquidity and trading of our Common Stock, limited availability of price quotations and reduced news and analyst coverage. Delisting may adversely impact the perception of our financial condition, cause reputational harm with investors, our employees and parties conducting business with us and limit our access to debt and equity financing. If our Common Stock is delisted from Nasdaq and is traded on the over-the-counter market, the application of the "penny stock" rules could adversely affect the market price of our Common Stock and increase the transaction costs to sell those shares. Any of these actions could have a

material adverse consequence effect on our business, financial condition, results of operations, and cash flows the value of our securities. Our failure We also may fail to be timely file on our future filings, which, in addition to these the risks and periodic reports with the SEC have also had other adverse consequences described above for the Company, including reputational may create further harm with customers, difficulties in attracting and retaining employees, accruing penalty fees with our Series A holders, and could have an adverse impact on our reputation, impact our ability to comply with our reporting requirements in connection with our covenants under our credit agreements and our ability to raise capital, and may subject us to enforcement actions by the SEC and stockholder lawsuits. For example, as further described in “Note 9-2 - Commitments and Contingencies- Convertible Preferred Stock- Registration Rights Agreement” to the our unaudited condensed Consolidated consolidated Financial financial Statements statements contained in this Annual Report on Form 10- K, the Chicago Regional Office we have been incurring penalty fees owed to holders of our Convertible Preferred Stock under the SEC Registration Rights Agreement has as issued a subpoena 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 seeking documents’ s inability to timely and accurately report its financial information concerning the Restatement. While we cannot predict the duration or outcome of this matter at this time, it which could lead cause further harm to adverse consequences for the Company ; including additional costs and its expenses, distractions for management and reputational harm. Our previously announced strategic review process may not result in any future strategic transactions. In March 2023, we publicly announced our intent to initiate a process to evaluate our potential strategic alternatives to maximize value for stockholders . There can be no assurance that this strategic review process will result in us pursuing a transaction or that any transaction, if pursued, will be completed on attractive terms, or at all . If we do not pursue such a transaction, or announce the conclusion of which could materially and our strategic review process, it may adversely impact our reputation or our stock price. A significant portion of our revenue has been concentrated on a few large customers. Cancellations or delays of orders by our customers may adversely affect to our business , and the sophistication and buying power of our customers could have a negative impact on profits financial condition, results of operations and cash flows . During the fiscal year ended May 28-26, 2023-2024, 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. Our 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 sale- able of some products may expose 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 product-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, liability- instability claims 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 . 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

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.

Any new business acquisition will involve uncertainty..... 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. ~~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 ~~seasonality and~~ 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 Series A 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 **privileged 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 ~~holder 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** ~~We have never paid any dividends on our~~ ~~or Common Stock~~ **expand the risks described above**. 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 ~~provides for a dual-class Board of Directors, in which each class will serve for a staggered two-year term;~~ • ~~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. **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 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 Nasdaq’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. **Cyberattacks** ~~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. Cyber-attacks~~ 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** ~~cyber-attacks~~ 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 suppliers, 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.