

Risk Factors Comparison 2025-03-14 to 2024-03-20 Form: 10-K

Legend: New Text Removed Text Unchanged Text Moved Text Section

In evaluating and understanding us and our business, you should carefully consider the risks described below, in conjunction with all of the other information included in this Annual Report on Form 10-K, including “ Management’s Discussion and Analysis of Financial Condition and Results of Operations ” contained in Part II, Item 7 ~~and “ Quantitative and Qualitative Disclosures About Market Risk ” contained in Part II, Item 7A~~. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may become important factors that adversely affect our business. If any of the events or circumstances described in the following risk factors actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected.

RISKS RELATED TO OUR BUSINESS Our product categories face a high level of competition, which could negatively impact our sales and results of operations. We compete with a limited number of other domestic kefir producers and consequently face a small amount of direct competition for kefir products. However, our kefir- based products compete with other dairy products, notably spoonable and drinkable yogurt, and, increasingly, with non- dairy probiotic products that incorporate kefir cultures but are not kefir. We face significant competition for limited retailer shelf space in each of our product categories. Competition in our product categories is based on product innovation, product quality, price, brand recognition and loyalty, effectiveness of marketing, promotional activity, and our ability to identify and satisfy consumer tastes and preferences. We believe that our brands have benefited in many cases from being the first to introduce products in their categories, and their success has attracted competition from other food and beverage companies that produce branded products, as well as from private label competitors. Some of our competitors, such as Danone, General Mills, Chobani, Hain Celestial Group, and Nestle, have substantial financial and marketing resources. These competitors and others may be able to introduce innovative products more quickly or market their products more successfully than we can, which could cause our growth rate to be slower than we anticipate and could cause sales to decline. We also compete with producers of non- dairy products ~~, such as Millennium Products and PepsiCo,~~ that have lower ingredient and production- related costs. As a result, these competing producers may be able to offer their products to customers at a lower price point. This could cause us to lower our prices, resulting in lower profitability or, in the alternative, cause us to lose market share if we fail to lower prices. Furthermore, private label competitors are generally able to sell their products at lower prices because private label products typically have lower marketing costs than their branded counterparts. If our products fail to compete successfully with other branded or private label offerings, demand for our products and our sales volumes could be negatively impacted. Additionally, due to high levels of competition, certain of our key retailers may demand price concessions on our products or may become more resistant to price increases for our products. Increased price competition and resistance to price increases have had, and may continue to have, a negative effect on our results of operations. We may not be able to successfully implement our business strategy for our brands on a timely basis or at all. We believe that our future success depends, in part, on our ability to implement our strategy of leveraging our existing brands with our new products to maintain our market position in our product categories; drive increased sales; acquire or establish new brands; and create strategic alliances including potential joint ventures. Our ability to implement this strategy depends, among other things, on our ability to:

- enter into distribution and other strategic arrangements with third-party retailers and other potential distributors of our products;
- compete successfully in the product categories in which we choose to operate;
- introduce timely, new, cost- effective, and appealing products and innovate successfully within our existing product categories;
- develop and maintain consumer interest in and demand for our brands considering prevailing consumer tastes and preferences;
- increase our brand recognition and loyalty;
- enter into strategic arrangements with third- party suppliers to obtain necessary raw materials;
- identify suitable acquisition candidates or joint venture partners and accurately assess their value, growth potential, strengths, weaknesses, contingent and other liabilities, and potential profitability;
- negotiate acquisitions and joint ventures on terms acceptable to us; and
- integrate acquired brands, products, or joint ventures into our company and our business strategy.

If we fail to execute these and other important elements of our business strategy, our business and results of operations could be adversely affected. One key element of our business strategy is to introduce timely, new, cost- effective, and appealing products and to innovate successfully within our existing product categories. However, consumer tastes and preferences change rapidly, and evolve over time. Factors that may affect consumer tastes and preferences include:

- dietary trends and increased attention to nutritional values, such as the sugar, fat, protein, fiber or calorie content of different foods and beverages;
- concerns regarding the health effects of specific ingredients and nutrients, such as sugar, other sweeteners, dairy, soybeans, nuts, oils, vitamins, fiber and minerals;
- concerns regarding the public health consequences associated with obesity, particularly among young people;
- decisions by yogurt and non- dairy beverage manufacturers to mislabel their products as “ kefir ” in order to benefit from our branding and marketing efforts, a marketing ploy that can cause significant confusion and misunderstanding among consumers; and
- increased awareness of the environmental and social effects of food processing.

Our future investments may not produce the results we expect when we expect them for a variety of reasons including those described herein. Our future product development and innovation will be reliant on our ability to identify and develop potential new growth opportunities. This process is inherently risky and will result in investments of substantial time and resources for which we may not achieve any return or value. Successful product development and innovation is also affected by our ability to launch new or improved products successfully and on a timely and cost- effective basis. We may have to pay cash, incur debt, or issue equity, equity- linked, or debt securities to fund our business strategy, or may be unable to fund that strategy. Any of these events could adversely affect our financial results and our business. We could

experience similar effects if we invest resources in a strategy that ultimately proves unsuccessful. If, due to a failure of our strategy or any other reason, consumer demand for our products declines, our sales volumes, results of operations, and our business could be negatively affected, and we may not be able to create or sustain growth or successfully implement our business strategy. Interruption of our supply chain could affect our ability to manufacture or distribute products, could adversely affect our business and sales, and / or could increase our operating costs and capital expenditures. We have several supply agreements with suppliers and co- packers that require them to provide us with certain ingredients, packaging, other inputs, and finished goods. For certain items, we rely on a single supplier or co- packer as our sole source for the item. Our suppliers and co- packers are subject to risk, including labor disputes, union organizing activities, financial liquidity, inclement weather, natural disasters, supply constraints, and general economic and political conditions that could limit their ability to timely provide us with acceptable product. Although other sources are available for these items, if our current sources are unable to fulfill our needs for any reason, we may not be able to timely engage a replacement source that can timely provide us with acceptable products or on terms favorable to us or at all, which could disrupt our ability to manufacture and distribute products. Such disruptions could have a material adverse effect on our business, consolidated financial condition or results of operations. Disruption of our manufacturing or distribution chains or information technology systems, including disruption due to cybersecurity threats, could adversely affect our business. The success of our business depends, in part, on maintaining a strong **production-manufacturing** platform and we rely primarily on internal production resources to fulfill our manufacturing needs. Our ongoing initiatives to expand our **production-manufacturing** platform and our productive capacity could fail to achieve such objectives and, in any case, could increase our operating costs beyond our expectations and could require significant additional capital expenditures. If we cannot maintain sufficient production, warehousing, and distribution capacity, either internally or through third party agreements, we may be unable to meet customer demand and / or our manufacturing, distribution, and warehousing costs may increase, which could negatively affect our business. Furthermore, damage or disruption to our manufacturing or distribution capabilities due to weather, natural disaster, fire, environmental incident, terrorism, cybersecurity threats and other security breaches, pandemic, strikes, the financial or operational instability of key distributors, warehousing, and transportation providers, or other reasons could impair our ability to manufacture or distribute our products. We rely on a limited number of production and distribution facilities. A disruption in operations at any of these facilities or any other disruption in our supply chain relating to common carriers, supply of raw materials and finished goods, or otherwise, whether as a result of casualty, natural disaster, power loss, telecommunications failure, cybersecurity threat, terrorism, labor shortages, contractual disputes or other causes, could significantly impair our ability to operate our business and adversely affect our relationship with our customers. Furthermore, our insurance coverage may not be adequate to cover all related costs. Our information technology systems are also critical to the operation of our business and essential to our ability to successfully perform day- to- day operations. These systems include, without limitation, networks, applications, and outsourced services in connection with the operation of our business. A failure of our information technology systems to perform as we anticipate could disrupt our business and result in transaction errors, processing inefficiencies, and sales losses, causing our business to suffer. In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, systems failures, and cybersecurity threats. Cybersecurity threats in particular are persistent, evolve quickly and include, without limitation, computer viruses, unauthorized attempts to access information, denial of service attacks, and other electronic security breaches. Like our customers, suppliers, subcontractors and other third parties with whom we do business generally, we expect that we will continue to be the subject of cybersecurity threats. In some cases, we must rely on the safeguards put in place by the third parties with whom we do business to protect against security threats. We believe we have implemented appropriate measures and controls and have invested in sufficient resources to appropriately identify and monitor these threats and mitigate potential risks, including risks involving our customers and suppliers. However, there can be no assurance that any such actions will be sufficient to prevent cybersecurity breaches, disruptions to mission critical systems, the unauthorized release of sensitive information or corruption of data, or harm to facilities or personnel. These threats and other events could disrupt our operations, or the operations of our customers, suppliers, subcontractors and other third parties; could require significant management attention and resources; could result in the loss of business, regulatory actions and potential liability; and could negatively impact our reputation among our customers and the public. Any of these outcomes could have a negative impact on our financial condition, results of operations, or liquidity. Our debt and financial obligations could adversely affect our financial condition, our ability to obtain future financing, and our ability to operate our business. **We Although the Company does not have any indebtedness outstanding as of December 31, 2024, the Company may incur indebtedness in the future. Outstanding** debt obligations ~~that~~ could adversely affect our financial condition and limit our ability to successfully implement our business strategy. Furthermore, from time to time, we may need additional financing to support our business and pursue our business strategy, including strategic acquisitions. Our ability to obtain additional financing, if and when required, will depend on ~~investor demand,~~ our operating performance, the condition of the capital markets, and other factors. We cannot assure that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity- linked, or debt securities, those securities may have rights, preferences, or privileges senior to those of our common stock, and, in the case of equity and equity- linked securities, our existing stockholders may experience dilution. **As Although the Company believes that the Stockholders' Agreement, dated as of October 1, 1999 (and as amended on December 24, 1999 and as extended in certain respects in eight extensions executed by certain of the parties to the Stockholders' Agreement, the last of which was dated as of December 31, 2009 (the " Stockholders' Agreement ")), by and among Danone North America Public Benefit Corporation or an affiliate thereof (collectively, " Danone "), Lifeway and certain Lifeway shareholders, is invalid, the Stockholders' Agreement purports to limit the Company' s ability to issue shares of Company common stock or convertible securities outside of specified, limited situations without providing Danone a right of first refusal, in the**

case of issuances of Company common stock, or first obtaining Danone's prior consent, in the case of issuances of securities convertible into Company common stock in excess of a specified amount. If the Stockholders' Agreement is valid or if third parties are unwilling to participate in transactions due to the uncertainty relating to the validity of the Stockholders' Agreement, the Company may not be able to raise additional funds through the issuance of equity or equity-linked securities. As of December 31, 2023-2024, we had \$ 0 outstanding under the Revolving Credit Facility and ~~\$ 2.73 million outstanding under the note payable, net of \$ 17 thousand of unamortized deferred financing~~. Our loan agreements contain certain restrictions and requirements that among other things: · require us to maintain a quarterly fixed charge coverage ratio and minimum working capital ratio; · limit our ability to obtain additional financing in the future for working capital, capital expenditures and acquisitions, to fund growth or for general corporate purposes; · limit our future ability to refinance our indebtedness on terms acceptable to us or at all; · limit our flexibility in planning for or reacting to changes in our business and market conditions or in funding our strategic growth plan; and · impose on us financial and operational restrictions. Our ability to meet our debt service obligations will depend on our future performance, which will be affected by the other risk factors described in this Annual Report on Form 10- K. If we do not generate enough cash flow to pay our debt service obligations, we may be required to refinance all or part of our existing debt, sell our assets, borrow more money or raise equity. There is no guarantee that we will be able to take any of these actions on a timely basis, on terms satisfactory to us, or at all. Our Revolving Credit Facility ~~and term loan bear~~ **bears** interest at variable rates. If market interest rates increase, it will increase our debt service requirements, which could adversely affect our cash flow. Our loan agreements also contain provisions that restrict our ability to: · borrow money or guarantee debt; · create liens; · make specified types of investments and acquisitions; · pay dividends on or redeem or repurchase stock; · enter into new lines of business; · enter into transactions with affiliates; and · sell assets or merge with other companies. These restrictions on the operation of our business could harm our ability to execute on our business strategy by, among other things, limiting our ability to take advantage of financing, merger and acquisition opportunities, and other corporate opportunities. Various risks, uncertainties, and events beyond our control could affect our ability to comply with these covenants. Unless cured or waived, a default would permit lenders to accelerate the maturity of the debt under the credit agreement and to foreclose upon the collateral securing the debt. Loss of our key management or other personnel, or an inability to attract such management and other personnel, could negatively impact our business. We depend on the skills, working relationships, and continued services of key personnel, including our experienced senior management team. We also depend on our ability to attract and retain qualified personnel to operate and expand our business. If we lose one or more members of our senior management team whose responsibilities cannot otherwise be distributed among our other officers, or if we fail to attract talented new employees, our business and results of operations could be negatively affected. Employee strikes and other labor- related disruptions may adversely affect our operations. We have a union contract governing the terms and conditions of employment for a significant portion of our manufacturing workforce in Illinois. Although we believe union relations since the union's certification as the exclusive bargaining representative of this portion of our workforce have been amicable, there is no assurance that this will continue in the future or that we will not be subject to future union organizing activity. There are potential adverse effects of labor disputes with our own employees or by others who provide warehousing, transportation, and distribution, both domestic and foreign, of our raw materials or other products. Strikes or work stoppages or other business interruptions could occur if we are unable to renew collective bargaining agreements on satisfactory terms or enter into new agreements on satisfactory terms, which could impair manufacturing and distribution of our products or result in a loss of sales, which could adversely impact our business, financial condition, or results of operations. The terms and conditions of existing, renegotiated, or new collective bargaining agreements could also increase our costs or otherwise affect our ability to fully implement future operational changes to enhance our efficiency or to adapt to changing business needs or strategy. Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products and brands. We consider our intellectual property rights, particularly our trademarks, but also our copyrights, registered domain names, and proprietary trade secrets, technology, know- how, processes and other proprietary rights to be a significant and valuable aspect of our business. We attempt to protect our intellectual property rights by relying on a combination of trademark, copyright, trade dress, trade secret, and other intellectual property laws, and domain name dispute resolution systems; as well as licensing agreements, third- party confidentiality, nondisclosure, and assignment agreements; and by policing third- party misuses of our intellectual property. Our failure to obtain or maintain adequate protection of our intellectual property rights, or any change in law or other changes that serve to lessen or remove the current legal protections of our intellectual property, may diminish our competitiveness and could materially harm our business. We also face the risk of claims that we have infringed third parties' intellectual property rights. Any claims of intellectual property infringement, even those without merit, could be expensive and time consuming to defend, cause us to cease making, licensing, or using products that incorporate the challenged intellectual property, require us to redesign or rebrand our products or packaging, divert management's attention and resources, or require us to enter into royalty or licensing agreements to obtain the right to use a third party's intellectual property. Any royalty or licensing agreements, if required, may not be available to us on acceptable terms or at all. Additionally, a successful claim of infringement against us could result in our being required to pay significant damages, enter into costly license or royalty agreements, or stop the sale of certain products, any of which could have a negative effect on our results of operations. **The A substantial portion of our common stock is held by members of the** Smolyansky family ~~controls a substantial portion of our common stock and has~~ **Danone, and they have** the ability to control the outcome of matters submitted for stockholder approval. ~~Although the members of the~~ **Our four largest shareholders, Julie** Smolyansky family ~~together control less than 50 (the~~ **Company's chief executive officer and the daughter of our founder), Edward Smolyansky (our former chief operations officer and son of our founder), Ludmila Smolyansky (a former member of our Board and the widow of our founder) and Danone, beneficially owned approximately 18 %, 21 %, 8 % and 23 % of our the Company's outstanding** common stock ~~collectively, they~~ **respectively, as of December 31, 2024. Certain of these shareholders, together,** could significantly

influence any matter requiring approval by our stockholders, including the election **or removal** of all of our directors, **amendments to our articles of incorporation** and the approval or rejection of any merger, change of control, or other significant corporate transaction. It is unlikely that any person interested in acquiring Lifeway will be able to do so without obtaining the consent of some ~~members~~ **combination of Julie Smolyansky, Edward Smolyansky, Ludmila Smolyansky and Danone. The interests** of the Smolyansky family **members and Danone could differ from those of** ~~the Smolyansky family's interests may not always be aligned with other stockholders~~ **in ways that could be adverse to the** interests **of other stockholders**. By exercising their influence, **such stockholders** ~~members of the Smolyansky family~~ could cause Lifeway to take actions that are at odds with the investment goals of institutional, short-term, non-voting, or other non-controlling investors, or that have a negative effect on our stock price. **Additionally, concentration of ownership could also harm the market price of our common stock if investors perceive disadvantages in owning stock in a company of which a substantial portion of common stock is beneficially owned by a small number of stockholders. Our business could be adversely affected as a result of proposals to acquire the Company or other actions taken by stockholders related to a possible acquisition of the Company. In September 2024, Danone has certain rights under publicly made an unsolicited proposal to acquire all of the shares of Company common stock that it did not already own for \$ 25.00 per share of Company common stock, subject to due diligence, among the other Shareholder Agreement which give things. Then in November 2024, Danone revised its proposal to \$ 27.00 per share of Company common stock. Our Board carefully considered the initial proposal and the revised proposal in consultation with the Company's independent financial and legal advisors, and ultimately determined that both proposals substantially undervalued the Company and were not in the best interests of the Company or its stockholders or the other stakeholders. These proposals, similar proposals that we may receive in the future and any other actions by stockholders or others relating to a potential change of control transaction involving the Company could interfere with our ability to control execute or our strategic plans influence the outcome of certain matters, including our ability to compensate our officers and directors in accordance with market standards, it more difficult to undertake attract and certain retain qualified executives offerings of securities, and employees, cause management distraction, require us to consummate mergers and acquisitions or other utilize more resources than anticipated towards review of strategic alternatives for and result in the loss of potential business opportunities, any of which could have a material negative impact on the Company. In addition Although Danone holds less than 25 % of our common stock, our business and operations the rights Danone has under the Shareholder Agreement may be harmed prevent us from offering market standard compensation to the extent that our officers and directors or our prevent third parties from making offers to enter into certain strategic customers or suppliers or others believe that we cannot effectively compete in the marketplace without completing a transactions transaction, or if there is customer, supplier or employee uncertainty surrounding the future direction of our product offerings and our strategy. There can be no assurance that any such transaction will be completed now or in the future. We have had to, and may continue to be required to, incur fees and other expenses related to Danone's exercise of proposals, including for their third party advisors of market standard compensation terms and amounts to certain officers and directors which could prevent us from attracting and retaining qualified key personnel. Additionally Further, it is possible that any offers to acquire Lifeway or purchase Lifeway equity in an offering will be made at reduced prices, if made at all, as a result of certain of Danone's proposals rights under the Shareholder Agreement, including, without limitation, its right of first refusal on shares issued similar future proposals that we may receive in the future or any actual or perceived actions by our stockholders or others relating to a potential transaction involving the Company. Danone may cause significant fluctuations in our stock price based upon temporary or speculative market perceptions or other factors that do not necessarily reflect the Company's interests may not always be aligned with other underlying fundamentals and prospects. The actions of certain of our stockholders interests. By exercising its rights under the Shareholder Agreement, Danone could prevent Lifeway from taking actions that are consistent with the investment goals of institutional, short-term, non-voting, or other non-controlling investors, or that would have a positive effect on our stock price. Our business could be negatively affected as a result of the actions of stockholders. Our business could be negatively affected as a result of stockholder actions, which could cause us to incur significant expense, disrupt our business, result in a proxy contest or litigation and adversely impact our stock price. We value constructive input from investors and regularly engage in dialogue with our stockholders regarding strategy and performance. Our Board and management team are committed to acting in the best interests of all of our stockholders. Two of the Company's largest stockholders, Edward Smolyansky and Ludmila Smolyansky, filed a Schedule 13D / A with the U. S. Securities and Exchange Commission (the "SEC") on August 14, 2024 announcing their intention, among other things, to nominate seven director candidates for election to our Board and replace seven of the eight members of our Board. Edward and Ludmila Smolyansky subsequently filed a preliminary consent solicitation statement with the SEC in furtherance of this objective, and they have made public statements critical of our Board, management and strategy, repeatedly called for the sale of the Company and publicly supported a sale of the Company for \$ 25 per share. A contested election with respect to the Company's directors could require us to incur substantial legal, public relations and other advisory fees and proxy solicitation expenses. Further, we may choose to initiate, or may become subject to, litigation as a result of proposals by Edward and Ludmila Smolyansky or other stockholders or proxy contests or matters relating thereto, which would serve as a further distraction to our Board and management and could require us to incur significant additional costs. We may be subject to continued or similar activism in the future, which could cause us to incur significant expense, hinder execution of our business strategy, and adversely impact the trading value market price of our securities Company common stock. Stockholder actions, including potential proxy contests, requires require significant time and attention by management and our Board, potentially interfering with our ability to execute our strategic plan**

. Such stockholder action could give rise to perceived uncertainties as to our future, adversely affect our relationships with our employees, customers or suppliers and make it more difficult to attract and retain qualified personnel and business partners. These perceived uncertainties may also be exploited by our competitors or other stockholders, which could result in lost business opportunities and make it more difficult to execute on our long- term strategic plan. If customers choose to delay, defer or reduce transactions with us or do business with our competitors instead of us, then our business, financial condition and operating results would be adversely affected. We may be required to incur significant legal fees and other expenses related to stockholder actions, and the attention of our management may be diverted by such actions. While we welcome our stockholders' constructive input, there can be no assurance that stockholder actions would not result in negative impacts to the Company. Any of these impacts could materially and adversely affect our business and, operating results and financial condition, and the market price of our Company Common common Stock stock could be subject to significant fluctuation or otherwise be adversely affected. If individuals are elected or appointed to our Board with a specific agenda, the ability of our Board to function effectively could be adversely affected, which could in turn adversely affect our ability to effectively and timely implement our strategic plan and create additional value for our stockholders, and adversely affect our business, operating results and financial condition. Litigation regarding the Stockholders' Agreement may be protracted and costly. As previously disclosed by the Company, the Company believes that the Stockholders' Agreement is void ab initio and unenforceable. Danone has filed suit in the Circuit Court of Cook County, Law Division, in part, to enforce the Stockholders' Agreement. The litigation regarding the Stockholders' Agreement may be protracted and expensive, and under certain circumstances, the Company may be required to reimburse Danone for its legal fees incurred in connection with such litigation. Further, the uncertainty relating to the status of the Stockholders' Agreement may cause third parties to refuse to engage in activities that are purportedly prohibited by the Stockholders' Agreement. Our shareholder rights plan includes terms and conditions that could discourage a takeover or other transaction that stockholder stockholders may consider favorable. On November 4, 2024, in response to Danone's original proposal and Danone's substantial ownership position in the Company, our Board approved and adopted the Shareholder Rights Agreement with Computershare Trust Company, N. A., as rights agent (the "Rights Agreement"), and declared a dividend of one preferred share purchase right (each, a "Right") for each outstanding share of Company common stock to stockholders of record at the close of business on November 18, 2024. Each Right entitles its holder, subject to the terms of the Rights Agreement, to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock, no par value, of the Company at an exercise price of \$ 130. 00 per Right, subject to adjustment. Rights will generally become exercisable only if any person or entity (or any persons or entities acting as a group) acquires 20 % or more of the outstanding shares of Company common stock (or, to the extent any person, entity or group beneficially owned 20 % or more of the outstanding shares of Company common stock as of immediately prior to the first public announcement of the adoption of the Rights Agreement, such person, entity or group acquires any additional shares). If Rights become exercisable, all holders of Rights (other than the person, entity or group triggering the Rights Agreement, whose Rights will become void and will not be exercisable) will have the right to purchase from the Company for \$ 130. 00, subject to certain potential adjustments, shares of Company common stock having a market value of twice that amount. The Rights Agreement expires on November 4, 2025, unless earlier terminated or the Rights are redeemed or exchanged by the Board. Additional information regarding the Rights Agreement is contained in the Company's Current Report on Form 8- K filed with the SEC on November 5, 2024. The Rights Agreement will cause substantial dilution to any person, entity or group that acquires beneficial ownership of 20 % or more of the outstanding shares of Company common stock (or, to the extent any person, entity or group beneficially owned 20 % or more of the outstanding shares of Company common stock as of immediately prior to the first public announcement of the adoption of the Rights Agreement, such person, entity or group acquires any additional shares). As a result, the overall effect of the Rights Agreement and the issuance of the Rights may be to discourage any person, entity or group from gaining a control or control- like position in the Company or engaging in other tactics, potentially disadvantaging the interests of the Company's stockholders, without negotiating with the Board and without paying an appropriate control premium to all stockholders. The Rights Agreement has similar provisions to those of other plans adopted by publicly- held companies in comparable circumstances. It is intended to protect stockholders' interests, including by providing the Board sufficient time to make informed judgments and take actions that are in the best interests of all of the Company's stockholders and other stakeholders. Nevertheless, the Rights Agreement may be considered to have certain anti- takeover effects, including potentially discouraging a third party from attempting to obtain a substantial position in the Company common stock or seeking to obtain control of the Company and discouraging a takeover attempt that stockholders may consider favorable or that could result in a premium over the market price of Company common stock. Even in the absence of a takeover attempt, the Rights Agreement may adversely affect the prevailing market price of Company common stock if it is viewed as discouraging takeover attempts in the future. Adverse economic conditions in the United States or any of the other countries in which we conduct significant business in the future could negatively affect our business, financial condition and results of operations. Many of our products may be considered discretionary items for consumers. Consumer spending on discretionary products is influenced by general economic conditions and the availability of discretionary income. Adverse economic conditions in the United States, our primary market, or any of the other jurisdictions in which we conduct significant business in the future, such as the current inflationary economic environment, rising interest rates, financial distress caused by recent or potential bank failures and the associated banking crisis, an economic recession, depression or downturn, a tightening of the credit markets, high energy prices or higher unemployment levels, may lead to decreased consumer spending, reduced credit availability and a decline in

consumer confidence and demand, each of which poses a risk to our business. For example, US and global markets have in the past experienced volatility and disruption due to interest rate and inflation increases, as well as the continued escalation of geopolitical tensions, including those as a result of the conflicts between Russia and Ukraine and in the Middle East. Although our business has not yet been materially negatively impacted by such inflationary pressures, we cannot be certain that neither we nor our consumers will be materially impacted by continued pressures. The change in administration following the 2024 United States presidential election could further impact trade and tariff policies, and could also result in substantial changes to fiscal, tax, or regulatory policies that may impact our business. These additional tariffs, as well as a government's adoption of "buy national" policies or retaliation by another government against such tariffs or policies have introduced significant uncertainty into the market and may affect the prices of and demand for our products, as well as the cost to acquire machinery and equipment from international sources, which could have a material and adverse effect on our business, financial condition and results of operations. Other significant events may impact economic conditions and affect discretionary spending, including events such as catastrophic environmental disasters or global pandemics. As global economic conditions continue to be volatile and economic uncertainty remains, trends in consumer discretionary spending also remain unpredictable and subject to reductions due to credit constraints and uncertainties about the future. A decrease in consumer spending or in retailer and consumer confidence and demand for our products could have a significant negative impact on our net sales and profitability, including our operating margins and return on invested capital. These economic conditions could cause some of our retail customers or suppliers to experience cash flow or credit problems and impair their financial condition, which could disrupt our business and adversely affect product orders, payment patterns and default rates and increase our bad debt expense.

RISKS RELATED TO OUR INDUSTRY The consolidation of our customers or the loss of any of our largest customers could negatively impact our sales and results of operations. Customers, such as supermarkets and food distributors, continue to consolidate. This consolidation has produced larger, more sophisticated organizations with increased negotiating and buying power that are able to resist price increases or demand increased promotional programs, as well as operate with lower inventories, decrease the number of brands that they carry and increase their emphasis on private label products, all of which could negatively impact our business. The consolidation of retail customers also increases the risk that a significant adverse impact on their business could have a corresponding material adverse impact on our business. Two of our customers together accounted for 24-25% of our net sales in the fiscal year ended December 31, 2023-2024. Where we enter into written agreements with our customers, they are generally terminable after short notice periods by the customer. In addition, our customers sometimes award contracts based on competitive bidding, which could result in lower profits for contracts we win and the loss of business for contracts we lose. The loss of any large customer, the reduction of purchasing levels, or the cancellation of any business from a large customer for an extended period of time could negatively affect our sales and results of operations. We rely on sales made by or through our independent distributors to customers. Distributors purchase directly for their own account for resale. The loss of, or business disruption at, one or more of these distributors may harm our business. If we are required to obtain additional or alternative distribution agreements or arrangements in the future, we cannot be certain that we will be able to do so on satisfactory terms or in a timely manner. Our inability to enter into satisfactory distribution agreements may inhibit our ability to implement our business plan or to establish markets necessary to expand the distribution of our products successfully. We are subject to the risk of product contamination and product liability claims, which could harm our reputation, force us to recall products and incur substantial costs. The sale of food products for human consumption involves the risk of injury to consumers. Such injuries may result from tampering by unauthorized third parties, inadvertent mislabeling, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the storage, processing, handling or transportation phases. We also may be subject to liability if our products or production processes violate applicable laws or regulations, including environmental, health, and safety requirements, or in the event our products cause injury, illness, or death. Under certain circumstances, we may be required to recall or withdraw products, suspend production of our products, or cease operations, which may lead to a material adverse effect on our business. In addition, customers may cancel orders for such products as a result of such events. Even if a situation does not necessitate a recall or market withdrawal, and even if we and each of our co-packers and suppliers comply in all material respects with all applicable laws and regulations, we may become subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or physical harm, including the risk of reputational harm being magnified and / or distorted through the rapid dissemination of information over the Internet, including through news articles, blogs, chat rooms, and social media, could adversely affect our reputation with existing and potential customers and consumers and our corporate and brand image. Moreover, claims or liabilities of this type might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. We maintain product liability and product recall insurance in amounts that we believe to be adequate. However, we cannot be sure that we will not incur claims or liabilities for which we are not insured or that exceed the amount of our insurance coverage. A product liability judgment against us or a product recall could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity. We rely on independent certification for several of our products and facilities. We rely on independent certification, such as certifications of our products as "organic," or "gluten-free," to differentiate our products from others. The loss of any independent certifications could adversely affect our market position as a probiotic-based product and natural, "better for you" foods company, which could harm our business. We rely on independent SQF certification at some of our facilities, a certification that some of our customers require us to maintain. We must comply with the requirements of independent organizations or certification authorities in order to label our products as certified. For example, we can lose our "organic" certification if a manufacturing plant becomes contaminated with non-organic materials, or if it is not properly cleaned after a production run. In addition, all organic raw materials must be certified

organic or organic compliant. Our products could lose their organic certifications if our raw material suppliers lose their organic certifications. Similarly, we could lose our SQF certification if we do not meet the requirements of the SQF Code. The loss of these certifications could cause us to lose customers that require Lifeway products and / or facilities to carry some or all of them, which could negatively affect our sales and results of operations. Increases in the cost of milk could reduce our gross margin and profit. Conventional and organic milk, our primary raw material, is an agricultural commodity that is subject to price fluctuations. Conventional milk prices were ~~lower~~ **higher** in fiscal ~~2023~~ **2024** than the prior year, and there can be no assurance that such prices will remain at these levels in the future. The supply and price of milk may be impacted by, among other things, weather, natural disasters, real or perceived supply shortages, lower dairy and crop yields, general increases in farm inputs and costs of production, political and economic conditions, labor actions, government actions, and trade barriers. Increases in the market price for milk or over- order premiums charged by producers may also impact our ability to enter into purchase commitments at a fixed price. There can be no assurance that our purchasing practices will mitigate future price risk. As a result, increases in the cost of milk could have an adverse impact on our profitability. In addition, the dairy industry continues to experience periodic imbalances between supply and demand for organic milk. Industry regulation and the costs of organic farming compared to costs of conventional farming can impact the supply of organic milk in the market. Oversupply levels of organic milk can increase competitive pressure on our products and pricing, while supply shortages can cause higher input costs and reduce our ability to deliver product to our customers. Cost increases in raw materials and other inputs could cause our profits to decrease significantly compared to prior periods, as we may be unable to increase our prices to offset the increased cost of these raw materials and other inputs. If we are unable to obtain raw materials and other inputs for our products or offset any increased costs for such raw materials and inputs, our business could be negatively affected. Reduced availability of raw materials and other inputs, as well as increased costs for them, could adversely affect us. Our business depends heavily on raw materials and other inputs in addition to conventional and organic raw milk, such as sweeteners, diesel fuel, packaging material, resin, and other commodities. Our raw materials are generally sourced from third- party suppliers, and we are not assured of continued supply, pricing, or exclusive access to raw materials from any of these suppliers. In ~~2023~~ **2024**, costs to us increased ~~primarily~~ **modestly** due to inflationary price increases ~~of other ingredients, packaging materials, and freight~~. However, for market conditions or competitive reasons, our ~~customer~~ **customer** pricing actions may ~~also~~ lag input cost changes, or we may not be able to pass along the full effect of increases in raw materials and other input costs as we incur them. The organic ingredients we use in some of our products are less plentiful and available from a fewer number of suppliers than their conventional counterparts. Competition with other manufacturers in the procurement of organic product ingredients may increase in the future if consumer demand for organic products ~~increases~~ **exceeds the supply**. Our business is subject to various food, environmental, and health and safety laws and regulations, which may increase our compliance costs, subject us to liabilities, or otherwise adversely affect our business. Our business operations are subject to numerous requirements in the United States relating to food safety, production, and marketing, as well as the protection of the environment, and health and safety matters. The food production and marketing industry is subject to a variety of federal, state, local, and foreign laws and regulations, including food safety requirements related to the ingredients, manufacture, processing, storage, marketing, advertising, labeling, and distribution of our products, as well as those related to worker health and workplace safety. Our activities, both in and outside of the United States, are subject to extensive regulation. We are regulated by, among other federal and state authorities, the FDA, USDA, the U. S. Federal Trade Commission (“ FTC ”), and the U. S. Departments of Commerce, and Labor, as well as by similar authorities in the foreign countries in which we do business. Environmental laws including the Clean Air Act, the Clean Water Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and the National Organic Standards of the U. S. Department of Agriculture, as well as similar state and local statutes and regulations in the United States and in each of the foreign countries in which we do business apply to our business operations as well. These laws and regulations govern, among other things, air emissions and the discharge of wastewater and other pollutants, the use of refrigerants, the handling and disposal of hazardous materials, and the cleanup of contamination in the environment. In addition, the marketing and advertising of our products could make us the target of claims relating to alleged false or deceptive advertising under federal, state, and foreign laws and regulations, and we may be subject to initiatives that limit or prohibit the marketing and advertising of our products to children. We are also subject to federal laws and regulations relating to our organic products and production. For example, as required by the National Organic Program (“ NOP ”), we rely on third parties to certify certain of our products and production locations as organic. Regulations and formal and informal positions taken by the NOP pursuant to the Organic Foods Production Act of 1990, which created the NOP, are subject to continued review and scrutiny. Changes in these laws or regulations or the introduction of new laws or regulations could increase our compliance costs, increase other costs of doing business for us, our customers, or our suppliers, or restrict our actions, which could adversely affect our results of operations. In some cases, new laws and regulations or other federal and state regulatory initiatives could interrupt distribution of our products or force changes in our production processes and our products. Governmental regulations also affect taxes and levies, healthcare costs, energy usage, immigration, and other labor issues, all of which may have a direct or indirect effect on our business or those of our customers or suppliers. These costs could negatively affect our results of operations and financial condition. Further, if we are found to be in violation of applicable laws and regulations in these areas, we could be subject to civil remedies, including third- party claims for property damage or personal injury, fines, injunctions, recalls, cleanup costs, and other civil sanctions, as well as potential criminal sanctions, any of which could have a material adverse effect on our business. **17** ~~General economic or geopolitical conditions, including inflationary conditions, Russia’s invasion of Ukraine, the Israel-Gaza conflict, and the impact of pandemics such as COVID-19, may disrupt our business, including, among other things, consumption patterns, supply chain, and production processes, each of which could materially and adversely affect our business, financial condition and results of operations. The United States and other key international economies have experienced significant economic and market downturns in the past, and are likely to experience additional~~

eyelical downturns from time to time in which economic activity is impacted by falling demand for a variety of goods and services, restricted credit, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, inflation, bankruptcies and overall uncertainty with respect to the economy. These economic conditions can arise suddenly and the full impact of such conditions can be difficult to predict, such as the future expectations in this inflationary environment. In addition, geopolitical and domestic political developments, such as existing and potential trade wars and other events beyond our control, such as Russia's invasion of Ukraine, can increase levels of political and economic unpredictability globally and increase the volatility of global financial markets. The actual or perceived effects of a disease outbreak, epidemic, pandemic or similar widespread public health concern, such as COVID-19, could also materially and adversely affect the Company's business, financial condition and results of operations. Adverse and uncertain economic conditions, such as those caused by inflation or the COVID-19 pandemic, may impact distributor, retailer and consumer demand for our products. In addition, our ability to manage normal commercial relationships with our suppliers, distributors, retailers, consumers and creditors may suffer. Consumers may shift purchases to lower-priced or other perceived value offerings during economic downturns. Distributors and retailers may become more conservative in response to these conditions and seek to reduce their inventories. Our results of operations depend upon, among other things, our ability to maintain and increase sales volume with existing distributors and retailer customers, our ability to attract new consumers, the financial condition of our consumers, and our ability to provide products that appeal to consumers at attractive prices. Prolonged unfavorable economic conditions may have an adverse effect on the Company's sales, which could materially and adversely affect its business, financial condition and results of operations. 15