

Lifeway Foods Incentive Compensation Clawback Policy

Introduction

The Board of Directors (the “**Board**”) of Lifeway Foods, Inc. (“**Lifeway**” or the “**Company**”) believes that it is in the best interests of the Company and its shareholders [to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company’s pay-for-performance compensation philosophy. The Board has therefore adopted this policy which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws (the “**Policy**”). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934 (the “**Exchange Act**”).

Policy

This policy covers Lifeway’s executive officers, principal financial officer, principal accounting officer, and other executives and employees who have been (1) designated “Pre-Clearance Persons” under the Company’s Insider Trading Policy and/or (2) who have been designated as participants in Lifeway’s 2015 Omnibus Incentive Plan or any successor plans (collectively referred to as “covered persons”).

At the direction of the Board or its Compensation Committee after it has considered the methods, costs, and benefits of doing so, Lifeway will seek to recover Incentive Compensation awarded or paid to a covered person for a fiscal period if the result of a performance measure upon which the award was based or paid is subsequently restated or otherwise adjusted in a manner that would reduce the size of the award or payment.

Where the result of a performance measure was considered in determining the compensation awarded or paid, but the Incentive Compensation is not awarded or paid on a formulaic basis, the Board or its Compensation Committee will determine in its discretion the amount, if any, by which the payment or award should be reduced. In addition, if a covered person engaged in intentional misconduct that contributed to award or payment of Incentive Compensation to him or her that is greater than would have been paid or awarded in the absence of the misconduct, Lifeway may take other remedial and recovery action, as determined by the Board or its Compensation Committee.

Incentive Compensation

For purposes of this Policy, Incentive Compensation means without limitation any of the following; provided that, such compensation is granted, earned, or vested based wholly or in part on the attainment of a financial reporting measure:

- Annual bonuses and other short- and long-term cash incentives.
- Stock options.
- Stock appreciation rights.
- Restricted stock.

- Restricted stock units.
- Performance shares.
- Performance units.

No Indemnification

The Company shall not indemnify any covered persons against the loss of any incorrectly awarded Incentive Compensation.

Effective Date

This Policy shall be effective as of the date it is adopted by the Board (the “**Effective Date**”) and shall apply to Incentive Compensation that is approved, awarded or granted (1) to covered persons pursuant to the 2015 Omnibus Incentive Plan or (2) to covered persons on or after the Effective Date.

Amendment; Termination

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect final regulations adopted by the Securities and Exchange Commission under Section 10D of the Exchange Act and to comply with any rules or standards adopted by a national securities exchange on which the Company’s securities are listed. The Board may terminate this Policy at any time.

Other Recoupment Rights

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a covered person to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Successors

This Policy shall be binding and enforceable against all covered persons and their beneficiaries, heirs, executors, administrators or other legal representatives.

Adopted: March 28, 2018