

COMPENSATION COMMITTEE CHARTER
of
LIFEWAY FOODS, INC.

Scope of Compensation Committee's Responsibilities and
How it Carries Out Those Responsibilities

May 11, 2020

This charter ("Charter") is adopted as the Charter of the Compensation Committee ("Committee") of Lifeway Foods, Inc. ("Company") by the Board of Directors (the "Board") on May 11, 2020.

Purpose

The purpose of the Committee is to carry out the responsibilities delegated by the Board relating to the review and determination of executive compensation.

Committee Membership

The Committee shall consist of at least two (2) directors each of whom is an "independent director" in accordance with Nasdaq Marketplace Rules without reference to exceptions applicable to the Company as a "controlled company" under the Nasdaq Marketplace Rules.

The Board will appoint the Committee members and a Chairman based on the recommendation of the Audit and Corporate Governance Committee. The Board may remove Committee members at any time with or without cause and may fill any vacancies on the Committee.

Responsibilities

The Committee shall be charged with the following duties and responsibilities:

1. Review and approve the overall compensation policies for the Company.
2. At least annually, (a) review and approve corporate goals and objectives relevant to the compensation of Julie Smolyansky, Edward Smolyansky, Lucy Smolyansky (collectively, the "Smolyansky Family Officers and Directors" and, if Ms. Smolyansky ceases to be the Chief Executive Officer of the Corporation, the Chief Executive Officer (the "Non Family Member CEO"), (b) evaluate the performance of each Smolyansky Family Officer and Director and the Non Family Member CEO, in each case in light of the relevant goals and objectives, and (c) determine and approve the compensation of each Smolyansky Family Officer and Director and, if applicable, any Non Family Member CEO.
3. Review the performance of the Company's Executive Officers and determine and approve such Executive Officers' compensation.
4. Make recommendations to the Board with respect to incentive-compensation plans and equity-based plans that are subject to Board approval.

5. Review the Company's incentive compensation arrangements to determine whether they encourage excessive risk-taking, to review and discuss at least annually the relationship between risk management policies and practices and compensation, and to evaluate compensation policies and practices that could mitigate any such risk.
6. Review all director compensation and benefits for service on the Board and Board committees at least once a year and recommend changes to the Board as necessary.
7. Administer the Company's equity compensation plans, and grant awards under such plans.
8. Oversee the administration of the Company's employee benefit plans.
9. Prepare or cause to be prepared, if required or determined by the Compensation Committee to be in the best interest of the Company and its shareholders, the Compensation Discussion and Analysis and the Compensation Committee Report on Executive Compensation to be included in the Company's Annual Proxy Statement.
10. At least once per year, evaluate the Company's performance in the area of diversity in the Company's workforce.
11. Conduct an annual self-evaluation of the Committee and each of its members individually; its performance of its duties under this Charter; and the effectiveness of the overall compensation philosophy of the Company.
12. Oversee regulatory compliance with respect to compensation matters.
13. Review and approve employment or severance arrangements with senior management.
14. Approve and oversee the application of the Company's Clawback Policy with respect to Section 16 Officers.
15. Review this Charter at least annually and recommend any proposed changes to the Board for approval.

Outside Advisors

The Committee shall have the authority, in its sole discretion, to select, retain, terminate and obtain the advice of a compensation consultant as necessary to assist with the execution of its duties and responsibilities as set forth in this Charter. The Committee shall set the compensation, and oversee the work, of the compensation consultant. The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of outside legal counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation, and oversee the work, of its outside legal counsel and other advisors. The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to its compensation consultants, outside legal counsel and any other advisors. However, the Committee shall not be required to implement or act consistently with the advice or recommendations of its compensation consultant, legal counsel or

other advisor to the compensation committee, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter.

The compensation consultant(s), outside counsel and any other advisors retained by, or providing advice to, the Committee (other than the Company's in-house counsel) shall be independent as determined in the discretion of the Committee after considering the factors specified under Nasdaq Marketplace Rules. The Committee is not required to assess the independence of any compensation consultant or other advisor that acts in a role limited to consulting on any broad-based plan that does not discriminate in scope, terms or operation in favor of executive officers or directors and that is generally available to all salaried employees or providing information that is not customized for a particular company or that is customized based on parameters that are not developed by the consultant or advisor, and about which the consultant or advisor does not provide advice.

Structure and Operations

A majority of the Committee members shall constitute a quorum, and a majority of the members present shall decide any question brought before the Committee.

The Committee shall meet as needed, and may meet in any manner permitted by law and the Bylaws of the Company, including telephonically. The Committee may invite such members of management to its meetings as it deems appropriate. However, the Committee shall meet regularly without such members present, and in all cases the Smolyansky Family Directors and Officer, a Non Family Member CEO and other executive officers shall not be present at meetings at which their compensation or performance is discussed or determined. The Committee shall report to the full Board any actions taken at its meetings at the Board meeting next following each Committee meeting.

The Committee has the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Committee may deem appropriate in its sole discretion.

The Committee shall be appropriately funded by the Company, as determined by the Committee, to ensure its ability to perform its responsibilities under this charter and the Company shall be responsible for all costs and expenses incurred by the Committee.