**American Hazelnut Company – Board of Directors Policy**

**Policy #01-2014—(~~Approved~~-Revised – January 6, 2021)**

**SUBJECT:** **Sale of Initial Units and Conversion of Units of the American Hazelnut Company**

**PURPOSE:** The purpose of this policy shall be to outline procedures for sale and transfer of Grower and Investor Units of the American Hazelnut Company.

**STATEMENT OF POLICY:**

1. Determining Initial Unit Price and Issuance: The Interim Board of Directors shall determine an initial capitalization amount and choose a unit price and target number of units to sell most likely to achieve that capitalization amount.
2. Priority of Initial Unit Sales: Units shall first be sold as Grower-Units to Grower-Members as specified in this Policy. Any remaining units shall be sold as Investor-Units to Investor Members as specified in this Policy.
3. Initial Sale of Grower-Units: The Interim Board of Directors shall be responsible for initial sale of Grower-Units through the following process:
   1. Members of the Organizing Committee that signed the written notice of intent to participate and participated in at least 50% of the meetings of the Organizing Committee or Committee workgroups since joining the Committee shall submit in writing to the Interim Board the desired number of units by the deadline established by the Interim Board. Each Member may propose to purchase the units in cash or the cash equivalent value of equipment, materials, or services needed by the Company as identified in Phase 1 initial capitalization documentation.
   2. Remaining units shall then be sold to growers through the following process: growers shall submit in writing the desired number of units to the Interim Board of Directors by the deadline established by the Interim Board. The Interim Board of Directors may require a minimum number of units to purchase. Each grower will receive the minimum. Then, each grower wanting more than the minimum number of units will receive additional units as desired up to 2 times the minimum number of units. Then, each grower wanting more than 2 times the minimum number of units will receive additional units as desired up to 3 times the minimum number units. This process will continue until the number of remaining units is less than the total number of units still wanted by the growers per the written requests. At that point, the remaining units shall be divided equally among the growers with outstanding written requests up to the total requested by each individual grower. Table 1 shows an example of how the written requests for units shall be filled assuming the minimum number of units is 25.
   3. In the event the total number of available units is less than the minimum number of units multiplied by the number of growers requesting units, the total number of available units shall be divided by the number of growers requesting units.

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* 1. Growers shall have 15 days after sale of the units to send cash or check to the American Hazelnut Company.

1. Sale of Initial Investor-Units: If additional capital is needed after initial sale of Grower-Units, the Interim Board may sell units as Investor-Units. The units shall have the same purchase price as the Grower-Units. The Investor-Units shall first be offered to growers that purchased

Grower-Units using the same process as outlined in Section 3 above. Remaining InvestorUnits can then be sold to non-growers at the discretion of the Interim Board. Owners of Investor-Units shall be Investor-Members.

1. Conversion of Investor-Units to Grower-Units: Growers not able or not willing to meet the obligations of Grower-Units at the sale of initial sale of units may purchase Investor-Units Unit. unitunitUnit
2. Sale of Additional Grower-Units: The Board of Directors may authorize sale of additional Grower-Units at any time per the Operating Agreement of the AHC.

Sale of Additional Investor-Units: The Board of Directors may authorize sale of additional Investor-Units at any time per the Operating Agreement of the AHC.

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Grower | Request | Round 1 | Round 2 | Round 3 | Round 4 | Round 5 | Round 6\* | Total Units |
| A | 25 | 25 | 0 | 0 | 0 | 0 | 0 | **25** |
| B | 35 | 25 | 10 | 0 | 0 | 0 | 0 | **35** |
| C | 50 | 25 | 25 | 0 | 0 | 0 | 0 | **50** |
| D | 75 | 25 | 25 | 25 | 0 | 0 | 0 | **75** |
| E | 135 | 25 | 25 | 25 | 25 | 25 | 10 | **135** |
| F | 150 | 25 | 25 | 25 | 25 | 25 | 20 | **145** |
| G | 165 | 25 | 25 | 25 | 25 | 25 | 20 | **145** |
| **Total** | **635** | **175** | **135** | **100** | **75** | **75** | **50** | **610** |

\* Because the total remaining units is less than the total remaining request, the remaining units are divided equally up to the total requested.

**Table 1. Example of How Initial Grower-Units Are Sold to Member per Section 3.**

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