Alaska Sustainable Farms LLC. OPERATING AGREEMENT - MEMBER-MANAGED

Date: 07/01/2023

Parties: HNP LLC, Alaskan SunGrown LLC, LGM LLC **Recital:** The undersigned members (hereafter referred to as "Members") hereby establish this Operating Agreement with the intent to form a member-managed limited liability company under the Limited Liability Company Act of Alaska (the "Act").

Article 1: Formation

1.1 **Name:** The limited liability company's name (the "Company") shall be Alaska Sustainable Farms LLC.

1.2 **Articles of Organization:** The Company's Articles of Organization were duly filed with the Secretary of State of Alaska on 01/04/2024.

1.3 **Duration:** The Company shall continue indefinitely until dissolution as prescribed in this Agreement.

1.4 **Principal Office:** The Company's initial principal office is located at 6570 W Trevett Cir., Wasilla, AK 99623. The Members reserve the right to relocate this office as necessary.

1.5 **Designated Office and Agent for Service of Process:** The Company's initial designated office is 6570 W Trevette Cir., Wasilla, AK 99623. GD Services Company is the initial agent for service of process at this location. Any changes in the designated office or agent for service of process must be filed with the Secretary of State of the state where the Company's Articles of Organization were filed.

1.6 **Purposes and Powers:** The Company is formed to manage an agricultural company, and it possesses all powers necessary, incidental, or conducive to achieving this purpose.

1.7 **Title to Assets:** All Company assets shall be entitled in the name of the Company. Members have no direct claim to Company assets except through their indirect ownership interest. There is no right to partition Company assets or claim specific assets upon Company liquidation or distribution.

Article 2: Members, Contributions, and Interests

2.1 **Initial Members:** The following table details the initial Members and their Ownership Interests:

2.2 **Ownership Interest:**

Name	**Ownership Interest in Alaska Sustainable Farms LLC**
HNP LLC	**%33.1/3**
Alaskan SunGrown LLC	**%33.1/3**
LGM LLC	**%33.1/3**

2.3 **Additional Members:** Additional Members may be admitted with the members' consent and per the terms outlined in this Agreement.

2.4 **Additional Contributions:** No Member is obliged to make additional capital contributions unless approved by the Members. Such contributions are subject to terms established by the Members.

2.5 **No Interest on Contributions:** No interest shall be paid on capital contributions.

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2.6 **Capital Accounts:** Each Member shall have a capital account reflecting contributions, allocated income, and losses. These accounts must comply with federal income tax accounting principles as per Treasury Regulations §1.704-1(b)(2)(iv).

2.7 **Outside Activities:** Members may engage in external business activities. However, no Member may partake in activities competitive with the Company without prior approval.

Article 3: Allocation of Profits and Losses

3.1 **Determination:** Net profits or losses shall be determined according to accounting principles for the Company's federal income tax return.

3.2 **Allocation Among Members:** Net profits or losses shall be allocated among the Members in proportion to their Ownership Interests.

3.3 **Tax Purposes Allocations:** Allocations concerning contributed property shall be made per IRC §704(c) and are solely for tax purposes. These allocations do not affect capital accounts or other rights.

3.4 **Prorates:** The net profit or loss allocation for Members who have not been in the Company for a full fiscal year or who have changed Ownership Interests during the year shall be prorated accordingly.

Article 4: Distributions

4.1 **Additional Distributions:** Subject to the Act's distribution regulations, the Company may make further distributions of cash or property as determined by the Members.

4.2 **Allocation of Distributions:** All distributions, whether for tax purposes or additional distributions, are to be allocated to Members in proportion to their Ownership Interests.

Article 5: Members

5.1 **Number and Qualifications:** The three Members shall manage the Company. Members can be individuals or entities.

5.2 **Initial Members:** The company's initial Members are HNP LLC, Alaskan SunGrown LLC, and LGM LLC.

5.3 **Authority of Members:** Members manage equally and act as the Company's agents within ordinary business operations. However, actions like selling assets, merging, amending articles of organization, incurring debt, or changing the nature of the business require a prior majority Member approval. Members are subordinate to the policies the Company implements in the ordinary operation of the business.

5.4 **Other Agents:** The Members may appoint other agents to represent the Company, with either general or specific authority.

5.5 **Powers of Members:** Members acting solely as Members cannot represent the Company.

5.6 **Members' Commitment and Outside Activities:** Members must devote adequate time to the company's business. They may engage in outside activities unless they conflict with the Company's interests.

5.7 **Compensation and Reimbursement:** Members receive compensation as determined by the

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Members. They are also entitled to reimbursement for reasonable Company-related expenses.

5.8 **Meetings of Members:** Managerial meetings require 24-hour notice and can be called by any Manager. A majority constitutes a quorum, and decisions are made by majority vote.

Article 6: Specially Called Member Meetings

6.1 **Calling Meetings:** Meetings can be called by Members. Member-called meetings require written notice to Members. Electronic messaging or writing constitutes written notice.

6.2 **Notice of Meetings:** Notice of meetings, including date, time, and place, must be sent to Members at least ten but not more than 60 days in advance.

6.3 **Record Date:** The record date for determining Members entitled to vote is set by Members and falls between 10 and 70 days before the meeting.

6.4 **Quorum and Voting:** A quorum requires more than 50% of Ownership Interests, present in person or by proxy. A majority vote decides issues, barring other provisions.

6.5 **Member Self-Interest:** Engaging in self-interested conduct doesn't inherently violate the duty to the Company. Members may transact with the Company, subject to Manager or Member approval, and retain the same rights as non-Members in such transactions.

Article 7: Action by Members

7.1 **Meetings Without Notice:** Any meeting held by all or a majority of Members, regardless of location or time, is considered valid, even without notice, provided no Member objects to the lack of notice. Any decisions made at such meetings shall be deemed valid actions of the Members or Members.

7.2 **Actions Without Meeting:** Members may act without convening a meeting if all Members provide written consent detailing the action. These consents must be maintained in the Company's records.

7.3 **Meetings by Telephone:** Members or Members may conduct meetings via conference telephone or similar communication methods that allow all participants to communicate simultaneously. Participation in such a meeting equates to physical presence at the meeting.

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Article 8: Accounting and Records

8.1 **Books of Account:** The Members shall maintain proper books and records for the Company, including, but not limited to, financial statements, tax returns, a register of Members, articles of organization, this agreement and its amendments, minutes of meetings, and written consents. All Members shall have continuous access to these records.

8.2 **Fiscal Year:** The Company's fiscal year shall align with the calendar year.

8.3 **Accounting Reports:** Within 90 days after fiscal year-end, the Company shall provide each Member with an unaudited report of its annual activities, including a balance sheet and a profit and loss statement.

8.4 **Tax Returns:** The Company is responsible for filing all necessary tax returns promptly. Within 90 days of each fiscal year-end, the Company must provide each Member with a Schedule K-1 detailing their share of distributions, income, losses, and other relevant tax items.

Article 9: Dissociation

9.1 **Voluntary Dissociation**

Any Member of Alaska Sustainable Farms LLC ("the Company") may not voluntarily dissociate from the Company.

9.2 **Involuntary Dissociation**

A Member may be involuntarily dissociated from the Company upon the occurrence of any of the following events:

- Death or incapacity.
- Assignment of the Member's interest for the benefit of creditors.
- Filing for bankruptcy by the Member.
- A court ruling determining that the Member cannot perform their duties due to mental or physical incapacity.
- Unanimous agreement by all remaining Members, excluding the dissociating Member, that such Member's conduct has become detrimental to the operations or reputation of the Company.
- Any event which disqualifies a Member from holding an Alaska Marijuana License.

9.3 **Dissociation Due to Risk of Financial Liens or Legal Action**

A Member may be involuntarily dissociated from Alaska Sustainable Farms LLC if they are at documented risk of being subject to an IRS lien, or any other significant legal or financial action that, in the sole discretion of the remaining Members, poses a substantial risk to the financial well-being or reputation of the Company. Documented risk includes, but is not limited to, the following:

- Receipt of an IRS Notice of Intent to Levy.
- Filing of a court action resulting in a judgment or lien that impacts the Member's financial interest in the Company.
- Filing for bankruptcy or any similar insolvency proceeding.

9.4 **Process for Dissociation**

The Company shall notify the Member in writing of the risk of lien or legal action, and the Member shall have thirty (30) days from the date of notice to resolve the issue or provide a satisfactory plan to mitigate the

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risk to the Company. If the problem is not resolved within this period, the remaining Members may vote to dissociate the Member by a majority vote.

9.5 **Effect of Dissociation**
The dissociated Member's ownership interest shall be treated per Section 9 of this Agreement (Member Dissociation), including valuation and payment for their interest in the Company.

9.6 **Effect of Dissociation**
Upon dissociation, the dissociated Member shall no longer have any right to participate in the management or operations of the Company. The dissociated Member's economic interest in the Company shall be determined based on the fair market value of their ownership interest as of the date of dissociation. The following provisions shall govern the treatment of a dissociating Member's interest:

9.7. **Valuation of Ownership Interest**
The Company shall engage an independent appraiser to determine the fair market value of the dissociating Member's ownership interest as of the date of dissociation. The Company and the Dissociating Member shall bear the appraisal costs equally.

9.8. **Payment for Ownership Interest**
The Company shall purchase the dissociating Member's ownership interest or, if the remaining Members agree, by one or more remaining Members. Payment shall be made in full within ninety (90) days of the effective dissociation date unless otherwise mutually agreed.

9.9. **Continuing Liabilities**
A dissociating Member remains liable for any Company obligations or liabilities incurred before their dissociation. The dissociated Member shall not be liable for any obligations or liabilities incurred after the dissociation date.

9.10. **Non-Compete Clause**
For a period of two (2) years following the date of dissociation, the dissociated Member shall not engage in, own, or provide services to any business that competes directly with the Company within the State of Alaska unless otherwise agreed upon in writing by the remaining Members.

9.11. **Notice to Third Parties**
Upon dissociation of a Member, the Company shall notify all necessary third parties, including creditors, suppliers, and customers, as required by law.

Article 10: Winding Up and Liquidation

10.1 **Liquidation Upon Dissolution:** The Members will liquidate the Company's assets unless continuing operations are elected. Proceeds from liquidation will be distributed first to creditors, then to reserves for contingent liabilities, and finally to Members in proportion to their capital account balances.

10.2 **Distribution of Property in Kind:** Property may be distributed in kind during liquidation with Member approval. For accounting purposes, in-kind distributions are treated as if the property were sold at fair market value.

10.3 **Negative Capital Accounts:** Members with negative capital account balances upon liquidation are not required to contribute to the deficit, and such a deficit shall not be considered a debt.

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Article 11: Transfer of Members' Interests

11.1 **General Restrictions:** Members are prohibited from transferring any part of their interest in the Company except as expressly permitted in this agreement. Unauthorized transfers are null and void. "Transfer" encompasses sales, exchanges, pledges, or dispositions, voluntary or by law.

11.2 **Securities Law Restriction:** Members acknowledge that their interests in the Company are not registered under the Securities Act of 1933 or state securities laws. These interests cannot be sold, transferred, or disposed of unless they are registered or an exemption applies. Any transfer of Member interests must comply with these laws or be accompanied by legal counsel's opinion, satisfactory to the Members, confirming exemption from registration.

11.3 **Permitted Transfers:** Members may transfer their interests with the written consent of all other Members, subject to securities law restrictions. If approval is not granted, a Member may transfer their interest after tendering it to the Company, provided the tender is not accepted within the specified timeframe, the transfer is within 180 days of effective notice, and terms are no more favorable than those in the tender notice.

11.4 **Tender of Interest:** A Member desiring to transfer their interest without consent must tender it to the Company, providing details of the proposed transfer. If a Member's interest is transferred by law, the successor must notify other Members. Other Members may then opt to have the Company purchase the tendered interest within 30 days of notice, either on the terms of the tender or as per the agreement's dissociation provisions.

11.5 **Effect of Tender:** Upon the Company's acceptance of a tender, the Member ceases to be a member concerning the tendered interest. They retain only the right to purchase the interest per this agreement.

11.6 **Substitution:** A transferee becomes a Member upon executing and delivering a written agreement to adhere to all terms of this agreement. Transferees not admitted as Members only receive distribution rights and lack Member privileges.

Article 12: Representations and Warranties of Members

12.1 Each Member represents and warrants their interest in the Company for personal investment, not distribution.

Article 13: Indemnification and Liability Limitation

13.1 **Indemnification:** The Company shall fully indemnify Members permissible under applicable law, covering all liabilities and costs incurred due to their role. This indemnification is not exclusive and does not cover breaches of loyalty, acts of bad faith, unlawful distributions, or personal benefit transactions.

13.2 **Limitation of Liability:** Members are not liable for monetary damages from their conduct, except as restricted by law. Amendments to this provision or the Act will not adversely affect rights for prior actions.

Article 14: Miscellaneous Provisions

14.1 **Amendment:** Members can only amend or repeal this agreement in writing.

14.2 **Binding Effect:** The agreement binds and benefits Members' successors and assigns without altering transfer restrictions.

14.3 **Notice:** Written notices must be sent via certified mail. Notices are deemed given three days after mailing.

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14.4 **Litigation Expense:** In legal proceedings involving this agreement, the prevailing party is entitled to reasonable attorney fees and costs.

14.5 **Additional Documents:** Members shall execute documents and act as needed to complete transactions under this agreement.

14.6 **Counterparts:** This agreement may be executed in multiple counterparts, collectively representing one agreement.

14.7 **Governing Law:** The agreement is governed by the law of the state of Alaska, where the Company's articles of organization are filed.

14.8 **Severability:** Invalid or unenforceable provisions do not affect the remaining provisions.

14.9 **Third-Party Beneficiaries:** The agreement benefits only Members and Members, not enforceable by third parties, except as the law permits.

14.10 **Authority:** Individuals executing on behalf of entities warrant their authorization, binding the entity to this agreement.

Alaska Sustainable Farms LLC. OPERATING AGREEMENT - MEMBER-MANAGED

X Greg Miller — Greg Miller

X Casey Wilkins — **Casey Wilkins**

X Kerby Coman — **Kerby Coman**

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