

# Hayfork Valley Cooperative, Inc. Supporting Shares Purchase Agreement

This purchase agreement (“Agreement”) is entered into on \_\_\_\_\_ [date] between Hayfork Valley Cooperative, a California Cooperative Corporation (“Cooperative” or “Co-op”) and \_\_\_\_\_ (“Investor”).

## 1. SUPPORTING SHARES PURCHASE.

- a. **Investor is purchasing Supporting Shares.** The undersigned Investor hereby applies to become a “Supporting Shareholder” in the Cooperative. For purposes of this Agreement, “Supporting Shareholder” and related terms such as “Supporting Shares” shall have the same meaning as in the Cooperative’s Articles of Incorporation and Bylaws.
- b. **Effective date of this Agreement.** This Agreement shall become effective once all of the following conditions are fulfilled: the Co-op has received a copy of this form Agreement filled in by Investor, the Co-op’s authorized agent has signed it, and the Co-op has received payment in full from Investor.
- c. **Cooperative may decline to sell Supporting Shares to Investor.** Until the Cooperative has signed it, this Agreement may be rejected in whole or in part by the Co-op in the Co-op’s sole discretion. The Agreement is not binding until accepted and signed by the Co-op. In the event that the Agreement is rejected by the Co-op, all funds and documents tendered by Investor shall be returned.
- d. **Shares are non-transferable.** Supporting Shares and any rights pursuant to this Agreement are non-transferable and non-assignable by Investor except when Investor ceases to be a member of the Co-op for any reason, their Supporting Shares will be purchased by the Co-op, subject to terms and conditions in the Co-ops Articles of Incorporation and Bylaws. Otherwise, transfer of Shares is at the discretion of the board of directors of the Co-op. Any attempted assignment or transfer shall be wholly void and shall confer no rights on the intended assignee or transferee. See Bylaws Sections 2.05, 3.05, 3.06 and 3.07.
- e. **Binding Agreement.** This Agreement, on acceptance by the Co-op, shall be binding on the heirs, executors, administrators, successors, and assigns of Investor. If Investor is more than one person, such as a married couple or partnership, the obligations of Investor hereunder shall be joint and several and the representations and warranties shall be deemed made by and be binding on each such person and his/her/their/its heirs, executors, administrators, successors, and assigns.
- f. **Share price.** Supporting Shares are available for purchase at the price of \$20 per share, up to \$940 per member in aggregate. Supporting Shares must be purchased in increments of one (1) share; no fractions of shares may be purchased. Supporting Shares are non-transferable except in the sole discretion of the Board. Dividends are payable in accordance with the Articles of Incorporation, any contractual obligations between the co-op and Supporting Shareholders, or otherwise, in the sole discretion of the board and in all circumstances dividends are subject to limitations in California Corporations Code Section 12451. Supporting Shareholders do not receive additional patronage distribution by reason of holding Supporting Shares as patronage distributions are allocated solely based on general membership. Supporting Shareholders must be members in good standing as a prerequisite to purchasing Supporting Shares. Supporting Shares provide no additional voting rights to their holder beyond those named in the Articles of

Incorporation or pursuant to any applicable laws. See Articles of Incorporation Article 7 and Bylaws Section 3.02(b).

- g. **Voting rights.** Investor will gain no additional voting rights in the Co-op by way of purchasing Supporting Shares. Membership in the Cooperative entitles a member to only one (1) vote in the affairs of the Corporation, irrespective of the total number of Supporting Shares (if any) a member owns, and to all the rights of ownership as described by statute, the Articles of Incorporation, and these Bylaws. See Bylaws Section 3.03.
- h. **Other.** Other terms and conditions regarding Supporting Shares are denoted in the Articles of Incorporation and Bylaws of the Cooperative.

**2. INVESTOR'S REPRESENTATIONS AND WARRANTIES.** Investor represents and warrants as follows:

- a. **Binding Agreement.** This Agreement has been duly executed and delivered by Investor and constitutes the legal valid, binding, and enforceable obligation of Investor, subject to applicable bankruptcy, insolvency, and similar laws affecting creditors' rights generally and subject to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).
- b. **Authority.** Investor represents that Investor has full power and authority to enter into this Agreement.
- c. **Investor is a Member of the Co-op.** Investor represents that to the best of Investor's knowledge, Investor is currently a member of the Cooperative in good standing. For purposes of this Agreement, being a member in good standing entails having paid all dues, fees, or assessments owed as a condition of membership in the Cooperative, not being delinquent in any obligations to the Cooperative, and not having resigned or been expelled or having termination proceedings pending.
- d. **No brokers.** No broker, finder, or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated hereby based on arrangements made by or on Investor's behalf.
- e. **Offering Documents.** Investor has received copies of and is familiar with all of the following documents, collectively referred to as "Offering Documents":
  - i. The Co-op's Articles of Incorporation
  - ii. The Co-op's Bylaws
  - iii. This Agreement
  - iv. The statement accompanying this Agreement titled "Risk Factors"
  - v. Financial statements (if any) provided by the Co-op
  - vi. The latest annual report (if any) issued by the Co-op
- f. **Availability of documents.** Investor represents that they have been provided with copies of the Offering Documents free of charge and they have been informed that they may receive additional copies of the Corporation's Articles of Incorporation and its Bylaws, free of charge, upon request in person at the co-op during regular business hours at 6971 State Highway 3, Hayfork, CA 96041 by submitting a written request to HVC, PO Box 1479, Hayfork CA 96041, the corporation's mailing address. (Bylaw Section 2.06)
- g. **Investor is aware of risks.** Investor has carefully reviewed and understands the risks of, and other considerations relating to, a purchase of the Supporting Shares in the Co-op. Investor recognizes that an investment in the Co-op's business is highly speculative and involves a high degree of risk, including those articulated in the portion of the Offering Document titled "Risk Factors" and other risks which the Co-op may not foresee at this time.
- h. **No regulatory review.** Supporting Shareholder understands that this agreement and the offer to purchase Supporting Shares has not been reviewed by the US Securities and Exchange

Commission, the California Department of Financial Protection and Innovation, or any other securities regulatory authority.

- i. **Investor reliance on information.** Investor and his/her/their/its representatives, if any, have relied only on the information contained in the Offering Documents and any exhibits thereto in making a decision to purchase stock.
- j. **California resident.** Investor is a bona fide resident of and is domiciled in the State of California.
- k. **18 years of age.** Investor is at least 18 years of age (if a natural person). If Investor is not a natural person, then the person signing for investor is at least 18 years of age.
- l. **Investor can afford the risk of loss of investment.** Investor has the net worth and/or income to be able to bear the economic risk of an investment in the Supporting Shares. Investor has such knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of an investment in the stock.
- m. **Highly illiquid investment.** Investor understands that this is a highly illiquid investment, or in other words: Investor likely will not have access to the funds they invest in the Co-op for a very long time, if at all. Investor represents that they have adequate means of providing for their current needs and could afford to lose the entire amount of this investment.
- n. **Co-op relying on Investor representations.** Investor understands that the Co-op will use and rely upon all of the representations, warranties, and information provided herein.
- o. **Investor not relying on Co-op for advice.** Investor is not relying on the Co-op nor any of its officers, directors, members, or other shareholders for independent legal, accounting financial, or tax advice in connection with Investor's evaluation of the risks and merits of investment, nor the consequences and risks of the investment.

### 3. MISCELLANEOUS PROVISIONS.

- a. **Choice of law.** This Agreement shall be construed in accordance with and governed by the laws of the State of California.
- b. **Entire Agreement.** This Agreement represents the entire agreement between the parties with respect to the purchase of stock by Investor and supersedes and replaces any and all prior written or oral agreements regarding the subject matter of this Agreement.
- c. **Notices.** Any notices required or permitted to be given by either party in relation to this Agreement shall be done pursuant to the terms of notice requirements described in the bylaws of the Co-op. If any party's contact information changes, it is that party's responsibility to notify the other in writing pursuant to notice requirements as described in the bylaws of the Co-op.
- d. **Consent to Electronic Communication.** Investor hereby consents to receive all official communications regarding their Supporting Shares, including all notices they are entitled to receive as a Supporting Shareholder in the Cooperative, via email at the email address provided in this application, or a new email address as Investor may designate in writing to the Cooperative by sending an email to [info@hayforkvalleycoop.com](mailto:info@hayforkvalleycoop.com). Investor has a right to receive communications in paper format via mail, delivery service, or personal service and to invoke this right Investor shall send an email or a letter to the Cooperative via the contact information in this Agreement, or to a contact address which the Cooperative may designate in writing from time to time.
- e. **Waiver.** Either party's failure to enforce any provision of this Agreement shall not in any way be construed as a waiver of any such provision, nor prevent the party from thereafter enforcing any other provision of this Agreement. The rights granted both parties hereunder are cumulative and shall not constitute a waiver of either party's right to assert any other legal remedy available to it.

- f. **Severability.** Should any provision of this Agreement be found to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable to the greatest extent permitted by law.

#### 4. RISK FACTORS.

The most significant risk factors for Hayfork Valley Co-op (“HVC” or the “co-op”) and the investor are:

EACH INVESTOR MUST BE AWARE THAT AN INVESTMENT IN HVC IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK, INCLUDING POSSIBLE LOSS OF THE ENTIRE INVESTMENT. EACH INVESTOR SHOULD CAREFULLY READ AND CONSIDER THE FOLLOWING RISK FACTORS AND ALL MATTERS SPECIFIED IN THE STOCK OFFERING MATERIALS IN DETERMINING WHETHER OR NOT TO INVEST IN THE CO-OP. EACH INVESTOR MUST UNDERSTAND THAT THE FOLLOWING FACTORS ARE NOT ALL-INCLUSIVE OF THE POSSIBLE RISKS INHERENT IN THE OFFERING.

- a. **Risks Inherent in Investing in a New Business.** HVC is a new business, as such we have no revenue as of this writing and HVS has no experience operating any business at this location. Investors will only get paid if we generate sufficient revenues in excess of expenses and there are no guarantees HVC will generate sufficient revenues
- b. **Competition.** When HVC opens its doors it will be the third grocery store in the small, rural town of Hayfork, Ca. The population of the town and its surroundings which would typically buy groceries in Hayfork at least occasionally is approximately 3,000. The other two grocery stores in town sell a limited to moderate range of organic items which will compete with the mostly organic selection that will be found at HVC. The amount of organic selection found at the other grocery stores as well as competitive prices from the other grocery stores could erode HVC’s potential market. Moreover, it is possible we may face increasing competition in the future from new grocery stores and from delivery services such as Amazon.
- c. **Consumer Demand.** As a consumer-owned grocery cooperative, we anticipate that our board of directors and management will be well suited to forecast consumer demand, however, HVC will necessarily need to make assumptions and predictions about consumer demand for various goods we may sell and there is an inherent risk that any of our assumptions or predictions may be incorrect or that consumer preferences may change quicker than we can anticipate and adapt. Such miscalculations and changes may cause the co-op to not achieve its sales targets and result in the inability to pay workers, vendors, and shareholders.
- d. **Economic Conditions.** The co-op will be opening in the same building that housed Norel Pom Natural Foods for many years. Norel Pom closed its doors in July of 2022 after seeing a large decline in its business over the last several years. This decline in business coincided with a down-turn in the cannabis market, which comprises a significant portion of the local economy, as well as issues with local permit issuance which caused many local cannabis businesses to stop operations. In late spring of 2023 the local economy of Hayfork appears to be rebounding as the cannabis market and local permit issuance is on the upswing, however, there are no guarantees that current economic conditions will be sustained; future economic downturns could occur at any time and they will undoubtedly affect our business. The co-op will require strong sales when it opens its doors to be financially successful. Organizers for the co-op believe the community will embrace the cooperative structure of ownership and governance and help bolster shopper loyalty and sales, however, general economic conditions may nonetheless negatively impact our sales even if our customers remain loyal to HVC. Economic conditions

that could negatively impact our business include, but are not limited to, supply chain disruptions that lead to unavailability of key goods, rising costs of goods, rising labor prices, changing consumer spending habits, high costs of housing, and other changing economic conditions that affect what consumers buy and how much consumers are willing to spend on our goods in relation to other expenses.

- e. **Facilities.** HVC leases the store and equipment from a local benefactor who bought the building from the previous owner for the operation of HVC. The store contains the retail area and a commercial kitchen which will produce deli items for sale in the store. The commercial kitchen is still in the remodel phase and will require significant work and equipment before it is complete. The facilities remodel and general maintenance could amount to greater expenses than HVC currently forecasts, and thus, we may need to raise additional capital to complete those remodels. Cost overruns are commonplace in construction projects and could impact HVC's ability to generate profit. There are no guarantees that we will be able to raise sufficient capital to complete the facilities remodel and keep up with general maintenance. It may take us longer to complete the remodel than we anticipate, resulting in disruptions and delays to implementation of our business plan. These factors could materially impact the success of the business. Moreover, there are risks inherent in leasing a commercial facility and doing construction on that facility including but not limited to the risk that our lease could be terminated or not renewed after the business has invested substantial funds into remodeling it. There are no guarantees HVC will be able to maintain the lease and if we cannot maintain a lease on our current facility, we may be unable to find a suitable alternative location that is affordable, forcing the business to close.
- f. **Costs of Opening.** Before HVC opens its doors to the public and its members, money will need to be raised through memberships, selling co-op supporting shares, donations, and possibly loans. The most significant up-front cost HVC will bear is purchasing products to fully stock the store. Other monthly overhead costs include insurance, electricity, other utilities, building lease, labor, POS system, and weekly purchases of products to stock the store. We will incur other predictable and unpredictable costs to operate the business and while HVC has made efforts to budget for all foreseeable expenses, there can be no guarantees that the budgets we have devised are adequate to meet future needs and thus the business could face budget shortfalls due to higher than anticipated costs of doing business.
- g. **Limited Access to Capital.** HVC is being founded with a shoestring budget and there can be no guarantees that HVC will be able to raise sufficient funds to be able to open our doors for business, and thereafter to stay open for business. HVC is currently raising funds but there can be no guarantees HVC will raise enough funds. As a new business, HVC may be ineligible for bank loans and other types of loans. It is possible HVC will need to raise funds on terms that are not very favorable or that insufficient capital will be available. It is possible the leadership of the co-op could have their attention diverted away from other important matters by the demands of fundraising.
- h. **Geographic and Population Constraints.** The distance from HVC to distributors and suppliers is relatively high which will increase the shipping costs of food and products to the co-op. The geographic isolation of HVC will also decrease the options the co-op has for distributors and suppliers. The population of Hayfork and its surroundings are spread out over a large area with an overall population of likely customers that is low. Potential customers that do not live relatively close to the co-op will likely make less frequent trips to the store, or overlook a small health food store for a larger store carrying similar products in Weaverville, or Redding.
- i. **Investor Returns Limited by California Cooperative Corporation Law.** HVC is a California Cooperative Corporation organized pursuant to Cooperative Corporation Law codified at

California Corporations Code Section 12200 *et seq.* As such, distributions to members or otherwise is limited to no more than 15 percent multiplied by contributions in any one fiscal year pursuant to Corporations California Corporations Code Section 12451. Distributions may be further limited by the co-op's Articles of Incorporation, bylaws, agreements with investors, as those documents may be amended from time to time. As of this writing, the board of directors holds significant discretion over issuing dividends or any other distributions to members and shareholders. Thus, even if the co-op is extremely profitable, investors will not receive windfall profits.

- j. **Government Permits, Licenses, Compliance with Laws.** HVC will require a retail food facility permit from the local department of environmental health to operate. HVC will require a zoning permit or certificate and other permits and licenses to operate as a business. HVC could fail to obtain such permits or lose such permits for lack of compliance with conditions of those permits or licenses among other reasons, forcing the co-op to close. Generally there are many laws that regulate businesses and HVC must comply with them all including but not limited to food safety laws, labor and employment laws, and general business regulations, among others. A failure to comply with applicable laws could result in legal liability or suspension of our operations which could negatively impact our revenues. Moreover, laws can change at any time which may be more or less advantageous to the co-op and its ability to comply with all applicable laws.
- k. **Dividends Not Guaranteed.** The co-op is not obligated to pay dividends on shares. The board of directors of the co-op has significant discretion in deciding if and when to pay dividends. In any event, for all the reasons discussed in this document, there are considerable risks that the co-op will not achieve profitability, in which case there may never be dividends paid on shares
- l. **Highly Illiquid Investment.** Investors will be expected to keep their money invested in the co-op for a long time. The co-op will use investor's funds toward expenses incurred in developing the business and even if the business is very successful, it will take several years before we generate enough revenue to redeem shares for cash. The co-op Articles of Incorporation and bylaws contain restrictions on rights to redeem shares and they impose restrictions on transfers of shares. In sum, if the business is not sufficiently profitable, investors may never be able to redeem or sell their shares for money. Thus, investors should only invest funds that they can afford to lose in their entirety. Moreover, there is no secondary market in which the shares may be sold and securities laws may impose onerous permit requirements on those seeking to sell their shares. For these reasons, and due to all of the other risks discussed in this risk factors statement, HVC does not recommend investors invest funds that they must rely on for their general living expenses.
- m. **Reliance on Elected Board of Directors.** HVC will be governed by a board of directors elected by the members. Membership will be open to anyone who shops at the co-op. Supporting Shares have no voting rights in the election of directors of the co-op. Investors will need to rely on the business judgment of the board of directors as elected by members to make many important decisions regarding the co-op. There can be no guarantees that the elected board will have the necessary knowledge, skill, and business acumen to successfully steer the co-op to profitability. Moreover, running a business inherently involves risk and even a very experienced and dedicated board of directors can make decisions that ultimately do not lead to profitability.
- n. **Reliance on Key Personnel.** The co-op will hire numerous employees to operate the business under the direction of the board of directors. Our ability to hire and retain qualified personnel depends on many factors, some of which the board can control and some of which they cannot. There is an inherent risk that we will not be able to attract and maintain enough qualified staff to competently operate the business. It is also possible that to hire and retain qualified personnel, HVC will need to spend more money than is budgeted for, resulting in lack of profitability. As of

this writing, there is no plan in place for what HVC would do in the event of the loss of key personnel due to death, disability, or employees quitting and any of these events could result in losses in revenues. Among the personnel we will need to rely on will be some personnel who exercise significant responsibilities in their day to day duties and the co-op will need to rely on these key personnel to exercise good judgment and serve the co-op's interests. It is possible that key personnel may mismanage the co-op's resources, resulting in losses and liabilities for the co-op that would negatively impact the co-ops ability to pay investors.

- o. **Disasters, Pandemics, War, Civil Unrest, "Acts of God."** There are many disruptive or even catastrophic events that could have devastating effects on our business including but not limited to natural disasters such as floods, earthquakes, fires, and the like; acts of war or terrorism; arson, vandalism, and/or other criminal activity; pandemics or epidemics and other public health emergencies; labor disputes; civil unrest; banking and economic crises; and numerous other events outside the control of HVC which could force our business to close temporarily or permanently. While HVC will carry various insurance policies, the co-op may not be able to afford to insure the business against all potential crises that could negatively impact the co-op. Moreover, even if we carry insurance in an amount sufficient to recover from a given type of catastrophic event, such event may cause significant disruptions and loss of income that would result in lack of profitability for indefinite periods of time.
- p. **Caution About Forward Looking Statements.** HVC has developed business plans, presentations, and other communications about the plans to develop the grocery co-op and to solicit members and investors. These materials contain forward looking statements which speak only as of the date the statement was made. Forward looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in forward-looking statements. This risk factors statement describes factors that could contribute to or cause such differences.
- q. **Not Registered with SEC of any State Securities Regulator.** The offering of shares of stock in the co-op has not been registered with the Securities and Exchange Commission (SEC) nor any state securities regulatory body. Offers and sales of these securities are made in reliance on an exemption from registration requirements under state and federal law. Therefore, no securities regulators have reviewed the offering materials to determine their adequacy. Investors need to make their own decision as to whether they have received sufficient information so as to make an investment decision. If any investor believes they have not received sufficient information about purchasing shares, they should decline to invest.
- r. **Tax Risks.** Each prospective investor should seek their own tax advice concerning the tax consequences of an investment in the co-op. Moreover, tax laws could change which can make the investment more or less advantageous in the future.
- s. **No Financial or Legal Advice Given by HVC.** HVC officers, directors, and agents may have provided information about the co-op and the offering of supporting shares to prospective investors but nothing stated by any agents of the co-op should be construed as financial, investment, or legal advice. Each prospective investor is encouraged to seek advice from their own legal, investment, and financial advisors of their choosing.
- t. **Other Risks.** While we have made an effort to predict the risks involved in investing in HVC, there may be additional risks involved in investing in HVC beyond those in this risk factors statement. Investing in businesses is inherently risky.

**5. INVESTOR INFORMATION.**

- a. NUMBER OF SHARES SUBSCRIBED FOR: \_\_\_\_\_
- b. NAME: \_\_\_\_\_
- c. IF INVESTOR IS AN ENTITY, NAME OF AGENT AUTHORIZING THIS AGREEMENT:  
\_\_\_\_\_
- d. SOCIAL SECURITY OR TAXPAYER ID NUMBER: \_\_\_\_\_
- e. RESIDENCE OR BUSINESS ADDRESS: \_\_\_\_\_  
\_\_\_\_\_
- f. MAILING ADDRESS (if different from above): \_\_\_\_\_  
\_\_\_\_\_
- g. EMAIL ADDRESS: \_\_\_\_\_
- h. TELEPHONE NUMBER: \_\_\_\_\_
- i. What type or entity is Investor? Please check next to ONE
  - i. \_\_\_\_\_ Individual natural person
  - ii. \_\_\_\_\_ Community Property
  - iii. \_\_\_\_\_ joint tenants with right of survivorship
  - iv. \_\_\_\_\_ tenants in common
  - v. \_\_\_\_\_ General partnership
  - vi. \_\_\_\_\_ Limited partnership
  - vii. \_\_\_\_\_ Limited Liability Company
  - viii. \_\_\_\_\_ Trust
  - ix. \_\_\_\_\_ Corporation

This purchase agreement ("Agreement") is entered into on \_\_\_\_\_ [date] between Hayfork Valley Cooperative, a California Cooperative Corporation ("Cooperative" or "Co-op") and \_\_\_\_\_ ("Investor").

**So Agreed.**

Date: \_\_\_\_\_  
[print name and title of Investor or its agent]

\_\_\_\_\_  
[Investor signature]

Date: \_\_\_\_\_  
[print name and title of officer of the Cooperative signing]

\_\_\_\_\_  
[the Cooperative's signature]