

**GRANITE FALLS ENERGY, LLC**  
**CHECKLIST AND PROCEDURES FOR TRANSFERS OF MEMBERSHIP UNITS**

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**TRANSFER PROCEDURES**

1. Board reviews and completes Checklist (below).
2. Board passes resolution approving or disapproving transfer.
3. Director or officer indicates approval or disapproval of transfer on unit transfer application.
4. Board instructs Company to prepare new membership unit certificate(s) pursuant to unit transfer application and to update membership registry.
5. Director or officer notifies Company legal counsel to file any Section 16 report with the SEC if the transfer involves a change in ownership of units by any director, officer or 10% owner.
6. Company files IRS Form 8308 reporting the sale or exchange of membership units.

**TRANSFER CHECKLIST:**

**ALL THREE SETS OF CONDITIONS SET FORTH BELOW MUST BE SATISFIED IN ORDER FOR BOARD TO APPROVE TRANSFER**

**1. First Set of Conditions - Operating Agreement**

1. Has a private transfer request form or a written contract for sale been completed by transferor and transferee?
  - Is the request form or contract signed by the transferor and transferee?
  - Have all questions in the request form or contract been addressed?
  - Has transferee signed the Member Signature Page for the Operating Agreement?
2. Have all required supporting documents been submitted?
  - If transfer is to a trust, trust documents are needed.
  - If due to death, a certified copy of the death certificate, letters of appointment of executor or administrator, and designation of attorney form must be provided.
  - If transferee is an entity, corporate resolutions, operating agreement or partnership agreement must be provided.
3. Has the transferor endorsed the membership unit certificate?
  - Yes

No

## **2. Second Set of Conditions - Tax Requirements**

1. Is the transfer through the FNC Agstock Qualified Matching Service (QMS)?
  - Yes – Go to question 2
  - No - Determine if transfer is a private transfer as described below- go to question 3
2. Have more than 10% of Granite Falls' Units been traded through the QMS during the calendar year?
  - Yes – Transfer not allowed during calendar year
  - No – Transfer is allowed
3. Private Transfer (if the transfer is not through the FNC Agstock QMS, the transfer may be approved if it is **one** of the following private transfers):
  - A transfer by gift.
  - A transfer at death, including transfers from an estate or testamentary trust.
  - A transfer between members of a family (“Family” is defined as a person’s brothers and sisters whether by whole or half blood, spouse, ancestors and lineal descendants).
  - Transfer involving the issuance of interests by or on behalf of the limited liability company in exchange for cash, property, or services.
  - A transfer involving distributions from a retirement plan qualified under Section 401(a) of the Internal Revenue Code or an individual retirement account.
  - Block transfer of Membership Units representing in the aggregate more than 2% of the total issued and outstanding Membership Units in one or more transactions during any 30 day period by a person and any related person. (“Related persons” generally include members of a family, an individual and an entity majority owned by such individual, 2 entities that are majority owned by the same persons, the grant and fiduciary of a trust, the fiduciary and beneficiary of a trust, and the executor and beneficiary of an estate.)
  - Transfers pursuant to a right of redemption or repurchase agreement meeting certain requirements (check with legal counsel on the other requirements).
  - Transfers pursuant to a closed end redemption plan.
  - A Transfer or series of related Transfers by one or more Members (acting together) which involves the Transfer of fifty percent (50%) or more of the outstanding Units.
  - None of the above (not a private transfer – proceed to the next question)
4. Safe Harbor (Use if the transfer is not through the FNC Agstock QMS and is not a private transfer.) Has the Company permitted more than 2% of the total number of units to be

transferred during the tax year (when counting 2% exclude all transfers through QMS and all private transfers)?

- Yes - Transfer is **not** allowed.
- No - Allow transfer if permission will not exceed 2% and transfer meets the operating agreement and securities law requirements.

### **3. Third Set of Conditions - Securities Law Requirements**

1. Are the units being transferred registered?
  - Yes (units initially purchased from Company in registered offering) (continue to question 3).
  - No (units initially purchased from Company in private placement, e.g. seed capital offering or another type of private transaction) (continue to question 2).
2. If the units are not registered is a legal opinion addressing eligibility of transfer provided?
  - Yes – Supply Company’s legal counsel with opinion and continue through checklist.
  - No –Transfer may be a restricted security subject to the resale limitations of Rule 144- stop review of transfer until legal opinion is obtained or waived and contact Company’s legal counsel.
3. Does the transfer involve a Director, Officer, or 10% owner?
  - Yes – Security may be a “control security” subject to the resale provisions of Rule 144. Notify legal counsel immediately to obtain pre-clearance and to file required report with the SEC.
  - No - No filing is required- continue to question 4.
4. Is the transfer through the FNC Agstock QMS?
  - Yes - Transfer is allowed.
  - No - Determine if transfer is a private transfer as described below.
5. Private Transfer (If not through a QMS, the transfer may be approved if it is **one** of the following private transfers.)
  - A transfer by gift.
  - A transfer at death, including transfers from an estate or testamentary trust.
  - A transfer between members of a family (“Family” is defined as a person’s brothers and sisters whether by whole or half blood, spouse, ancestors and lineal descendants).
  - Transfer involving the issuance of interests by or on behalf of the limited liability company in exchange for cash, property, or services.
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- Transfers pursuant to a closed end redemption plan.
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- None of the above (not a private transfer – proceed to the next question)

6. If not a private transfer, how was the third party buyer located?

- If through a registered broker-dealer, transfer **is** allowed.
- If **not** through a registered broker-dealer, deny permission unless exemption from registration is provided to the Company.

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