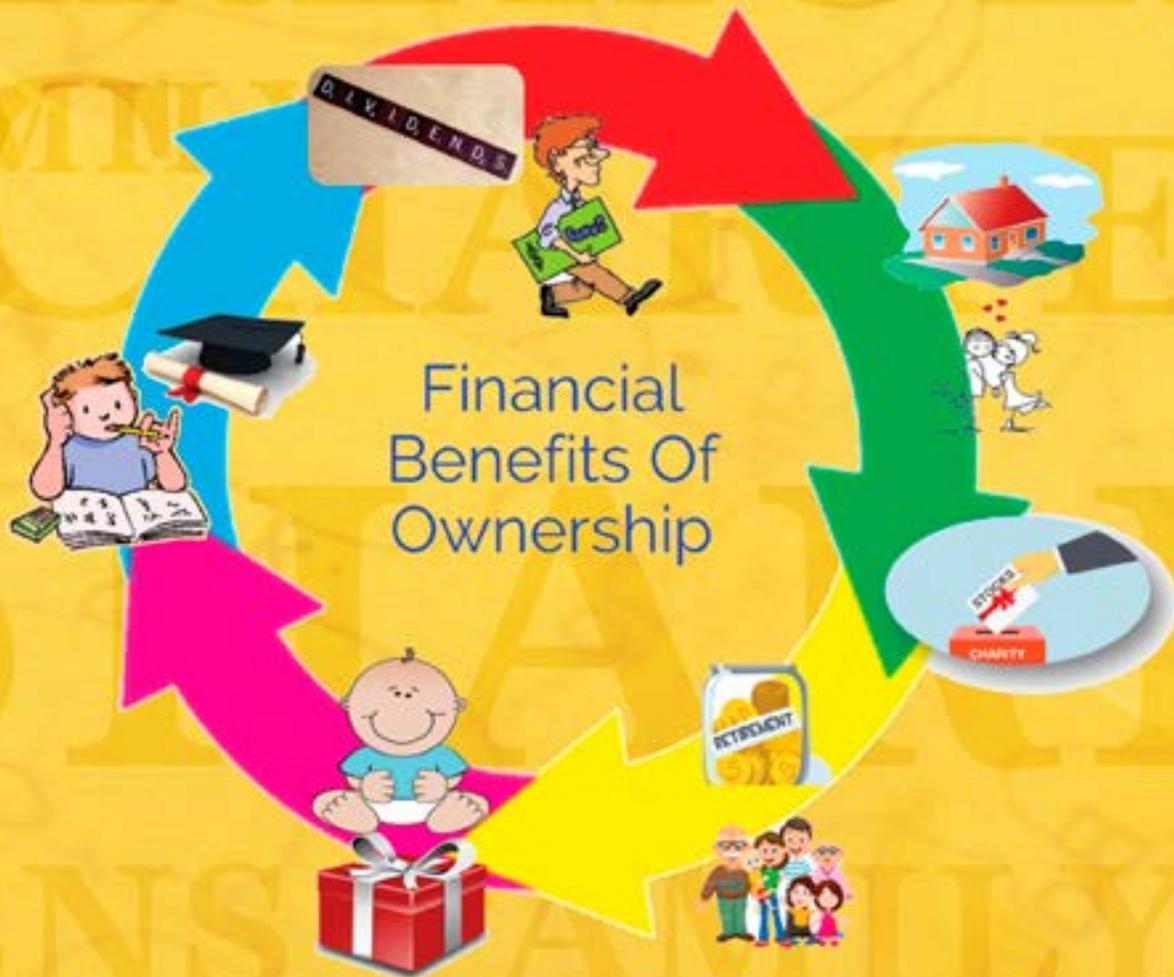


# Clemens Family Shareholder Charter

Volume Ten, Summer 2019



## SHAREHOLDER VISION

As Clemens Family owners we will operate in a way that honors our past and shapes our future as demonstrated through legacy, participation, and sustainability:

Legacy- Embrace the Company's Mission and Core Values

Participation- Be informed, educated and active

Sustainability- Be good stewards

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## INTRODUCTION

### THE CLEMENS FAMILY SHAREHOLDER CHARTER

The Clemens Family Shareholder Charter (Family Charter) is a document to help you understand your rights and responsibilities as a Clemens family member owning stock in The Clemens Family Corporation. This Family Charter was created by the Owner's Advisory Council (OAC) in 2009 as a way to formalize and define what is in the best interest of the family. As things change in the business so may the Family Charter. The Family Charter is a living document and from time to time may be changed, updated or amended at the discretion of the Clemens Family Owners Board established in 2017.

Generally, a family shareholder charter is a collection of important philosophies and policies. The purpose of this Family Charter is to communicate those important philosophies and policies to ensure the family understands its content. The ultimate goal of our Family Charter is to help Clemens Family shareholders continue to be successful individually, as a family unit and as an ownership group.

We define family as a descendent of John C. Clemens, married, widow/widower spouse of a descendent. In the event a family member and his or her respective spouse divorce, the non-family divorced spouse (but not the children of the family) shall lose his or her family member status as of the effective date of the divorce. The Family officially began in 1900 when John C. Clemens married Susie Stauffer. Their values began a legacy that we, as current family members, aspire to protect and nourish.

**Our hope is for the years to come, future generations will embrace our legacy and uphold and even strengthen it for the future.**





## CFC MISSION



*We aspire to operate in a way that honors the Lord Jesus Christ as demonstrated through Ethics, Integrity and Stewardship.*

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## VALUES

### **We will:**

- Honor our God in all we do
- Maintain a reputation of high ethics and integrity
- Make sound business investments
- Take a long-term view
- Share success with Team members, community and shareholders
- Be good stewards
- Seek to set commercial standards

**All of this is done to bring pride to the family in how we do business.**

## SHAREHOLDER VISION

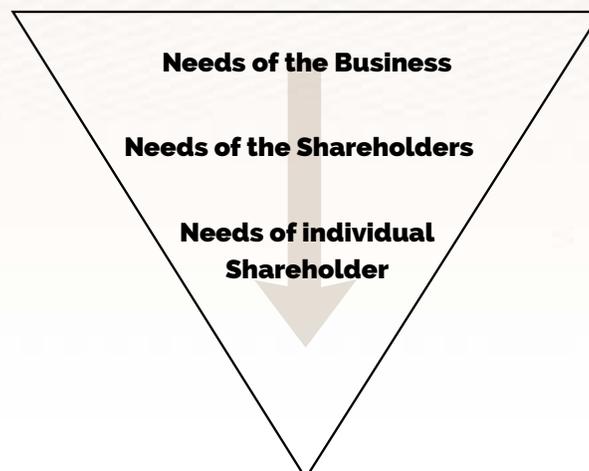
***As Clemens Family Owners, we will operate in a way that honors our past and shapes our future as demonstrated through legacy, participation and sustainability:***

*Legacy- Embrace the Company's Mission and Core Values*

*Participation- Be informed, educated and active*

*Sustainability- Be good stewards*

## **THE RESPONSIBILITY OF THE SHAREHOLDER IS THE SUSTAINABILITY OF THE BUSINESS**



# VOTING TRUSTS

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**John S. Clemens Trust**  
**Voting stock- 27.5%**

**Trustee Kenneth W. Clemens**

**Abram S. Clemens Trust**  
**Voting stock- 22.5%**

**Trustee Richard W. Harris**

**Ezra S. Clemens Trust**  
**Voting stock- 25%**

**Trustee Daniel R. Schwartz**

**Lester S. Clemens- 25%**

**Trustee Philip A. Clemens**

Each Voting Trust automatically renews for successive ten year term(s) unless two-thirds votes agree not to extend the term.

**Qualifications for a Trustee\* must satisfy at least two of the following four requirements:**

1. Be at least forty years of age
2. Possess a bachelor's degree
3. 10 years of business management experience
4. Worked in a management capacity for the company or any of it's subsidiaries for at least five consecutive years

**The Trustee term shall be five years and is required to meet at least annually with the trust participants.**

**In event of the passing of a trustee; the CFC Chairman for a maximum of 90 days, shall act as pro tem trustee or until the voting members of the specific trust elect a new trustee, whichever comes first.**

**\*All Trustees up for election August 2021.**

# **CLEMENS FAMILY OWNERS BOARD (CFOB)**

## **CFOB MISSION**

The purpose of the Clemens Family Owners Board is to support the Shareholder Vision and represent the interests of all family shareholders while creating exceptional shareholder Governance policies and structure that ensures sustainability of the business.

## **KEY OBJETIVES**

1. Manage and fully embrace shareholders responsibilities, a) Business Needs b) All Shareholder Needs c) Individual Shareholder Needs
2. Embrace the Company Mission
3. Live Out Company's Core Values
4. Promote Harmony with Shareholder Families
5. Speak as One Voice for All Shareholders
6. Identify potential Board of Directors

## **EXPECTATIONS OF CFOB MEMBERS**

1. Work with the Chief Relationship Officer and Shareholder Services Office on Shareholder responsibilities, education, polices & issues
2. Active participation in monthly meetings & sub-committees
3. Attent family business educational conferences
4. Prepare annual shareholder calendar, goals, objectives & budget
5. Communicate effectively and frequently to Clemens family shareholders
6. Represents all CFC Family Shareholders
7. Must attend at least one CFC BOD meeting per year

## **REQUIRED SKILL SET**

### **RELATIONSHIP**

1. Able to confront in a caring way
2. Able to resolve conflict
3. Ability to drive change
4. Excellent written and verbal communication skills
5. Excellent public speaking skills
6. Represents all CFC Family Shareholders



## **LEADERSHIP**

1. Drives involvement by the family
2. Financial and shareholder policy understanding
3. Business savvy and experience
4. Willingness to be mentored and mentor
5. Thoughtful and discerning

## **CHARACTER**

1. Lives out the shareholder vision
2. Embraces shareholder priorities
3. Has the respect of the greater family
4. Open minded and visionary
5. An investment of time

## **APPLICATION AND SELECTION COMMITTEE PROCESS**

1. By completing application and profile assessments
2. Selection Committee review application(s) and profile assessments
3. Recommended candidate(s) are then interviewed in-person
4. Potential candidate(s) selection finalized

## **CONFIRMATION PROCESS**

1. The SSO and CRO recommend the slate of CFOB candidates and is approved by the Governance Committee of the board and is affirmed by the Clemens family shareholders at the Annual Business Information Meeting

## **ELECTION CRITERIA**

1. Based on required skill set, the most qualified individuals will be considered
2. Must be a shareholder
3. No minimum or maximum age requirements

## **COMPOSITION AND TERM LIMITS**

1. Mix of generations desired
2. Shareholders working in the business are eligible
3. 5 to 6 members affirmed annually, no term limits

## **CFOB MEMBERS: TERMS EXPIRES AUGUST 2020**

1. Alex Bahn
2. Bill Mehl
3. Brad Clemens
4. Bruce Clemens
5. Jeff Gross
6. Wayne Paskel

# **BOARD OF DIRECTORS**

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**In 2001, the Succession Planning Committee recommended that the Board of Directors consist of seven members, three family and four independent. The By-Laws allow for a Board make-up of 5 to 15 members. The CFOB will interview all new directors and make recommendations to the Governance Committee of the Board for election. The Board will consist of a blend of “independent” and “family” Directors, and one Coldwater hog producer investor. The criteria for independent and family directors shall be as follows:**

1. Current or past senior management individual from a successful business-preferably the President or CEO.
2. Strong financial background with a clear understanding for the need and value of business metrics.
3. Unquestionable ethics and integrity.
4. Embraces the visions, values and culture of CFC.
5. Excluding the Coldwater Producer, proposed Directors shall not have a conflict of interest with any CFC businesses.

## **THE GENERAL CONDITIONS AND EXPECTATIONS FOR ALL BOARD MEMBERS ARE AS FOLLOWS:**

1. Board members will not have a maximum age limit. Each Director is elected for one year and must be re-nominated based on performance for future years.
2. Board members will be elected at the Annual Shareholders Meeting.
3. The desired blend on the Board will be three family and four independent with the majority always to be independent.
4. There will be four meetings per year - April, June, September and December.
5. The Board will consist of three standing committees: Audit, Executive and Governance.
6. Board members will receive a quarterly retainer, a meeting fee and a committee fee.
7. Team members who serve on the Board receive no additional compensation for Board work.
8. There will be no Team members as Board members except for the CEO.  
The only exception is the known successor within 18 months of retirement of the current CEO.

**The CFOB will conduct an annual review of all board members with a report back to CFC's Chairman. The CFOB will then make recommendations to the Nominating Committee of the Board.**

# CHIEF RELATIONSHIP OFFICER AND FAMILY COUNCIL

As our business enters into future generational leadership, the role of CEO has become increasingly focused on the business as the family issues become more complex, creating a position of Chief Relationship Officer. The creation of Chief Relationship Officer will allow this transition to take place, which should continue our heritage and build unity among the family to carry the heirloom for generations to come.

The **Clemens Family Owners Board** (CFOB) will work through the Chief Relationship Officer (CRO) and Director of Shareholder Services (SSO).

1. **Scholarships**—CFC provides scholarships to Team member's children, as well as scholarships to students at certain colleges and universities. The CRO will take the lead for these programs.
2. **Family Sustainability**—Clemens Family Leadership Academy (CFLA). The CRO will take an active lead role in CFLA.
3. **Clemens Food Group Experience**—introduce Clemens Family to the Clemens Family Corporation through Team member instruction.

## What is a Family Council?

A family council serves as a sort of board of directors for the family. A family council does not get involved with the business but does provide family members with a regular, structured forum to communicate and voice concerns, have input, and participate in determining how to deal with family issues and concerns. The purpose and procedures of a family council are determined by the shareholder charter and its vision/ mission statement.

**Main Objective:** To help all family members to understand and embrace our heritage and build harmony within the entire family.

**Vision:** We will strive to promote harmony with all John C. Clemens family members.

**Key Objectives:** Put structure around organized family activities that we want to pass on to future generations.

## Goals:

1. Grow & create pride in family heritage
2. Organize & execute philanthropic activities for the family
3. Create connectivity within the family (family social events, the charter, updated family tree)
4. Raise money for benevolence fund / mission trips; identify recipients and disburse funds

# CHIEF RELATIONSHIP OFFICER AND FAMILY COUNCIL

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## Expectations:

- Will hold a minimum of four structured meetings with a written agenda and minutes.
- The council will be responsible for at least one family event / gathering and one service project.
- The council will be responsible to generate funds to support family events.

## Council Criteria:

- Must be a family member at least 16 years or older.
- Available to attend three of four council meetings.
- Able to serve a two-year term.
- It would be desired that each family branch be represented on the council.
- 2/3 vote is necessary for decisions.

## Council Members:

- The Council Chairperson will recommend to CFC's Chairman of the Board and Chief Relationship Officer potential council members.
- Chief Relationship Officer and SSO Director will approve Council members & Council Chairperson.

The following areas could be further developed or created under the Family Council.

1. **Family Education**—the intent would be to encourage family members to achieve their educational potential.
2. **Family Investment**—this area could be developed, which may allow family members to invest in other family members' private businesses. Or a family member may want to start a business from the ground up and request a 50/50 joint venture from the family.
3. **Family Picnic**—a family picnic has been ongoing, yet could be enhanced to provide opportunities to engage family beyond the picnic.
4. **Family Benevolence**—the family council could create a committee to develop a process to allow the family as a whole to share in financial or other ways to help family members who have specific needs.

# **SHAREHOLDER SERVICES OFFICE**

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The Shareholder Services Office (SSO) will oversee the Company's stock register, will administer shareholder policies, and will serve as a resource for Clemens family member's legal, financial, and other professional advisors.

## **Stock Register:**

The SSO will administrate stock redemptions, purchases, transfers, and donations, will administrate common and preferred dividends, and will maintain shareholder records. Shareholders should make requests for redemptions, purchases, transfers and donations to the SSO.

## **Shareholder Policies:**

The Director of the SSO will work with the CRO and the CFOB to develop, communicate, and educate shareholders on shareholder responsibilities and policies.

## **Outside Advisors:**

The SSO will serve as a resource to outside advisors assisting shareholders with tax and estate planning. The SSO will also aggregate shareholder information to provide to the company for its planning needs.

# FAMILY EMPLOYMENT POLICY

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## **PURPOSE**

This policy supports The Clemens Family Corporation's (CFC) commitment to encourage family growth and unity, to motivate and cultivate family members and from this date forward, the following shall apply.

## **SCOPE**

All family members employed by any of the CFC enterprises or desire to seek a career at CFC divisions.

## **POLICY**

Ownership recognizes that the day-to-day active involvement of owners in the business is an important cultural element of our business and also provides Team Members with confidence that the business will remain privately-owned family business with continuity of ownership sustained. Ownership also recognizes that employment in the family business is not a birthright, and that the health and success of the business will be best served if only family members with a genuine interest in employment who are well qualified to make a meaningful contribution to the business are offered employment in the family business.

Family members being considered for employment should be committed to the values, vision and mission of the business and should have the trust of the family and senior leadership. This policy is designed to encourage qualified family members to seek a career in the family business. However, it is the policy of CFC to give preference for careers and promotion to family members over non-family provided they meet the qualifications of the position and are equally qualified as the non-family employee. Requirements for full-time employment within any CFC division include a minimum age of 18. This policy does not obligate CFC and/or the Family to hire or promote family members if they do not meet the minimum qualifications of the position. This policy also prohibits anyone from influencing decisions with regards to employment issues of a family member. It is preferred the position of Chairman, CEO and CRO, be a family member but should be given to the most qualified candidate.

The policy prohibits any family member in a supervisory capacity from holding a position of direct supervision over an immediate family member. For the purpose of this policy, an immediate family member is defined as: spouse, child, parent, brother, sister, son-in-law, daughter-in-law, parent-in-law, brother or sister-in-law. It also prohibits an immediate family member from working within a department in which another member of that immediate family has direct authority over. For the purpose of this policy, supervisory capacity is defined as a Lead position or greater. Exceptions for this rule need to be approved by the Executive Committee of the Board of Directors.

It is also CFC's employment practice, not to have a husband and wife work within the same department even if there is no direct or indirect supervision involved.

## **OUTSIDE WORK EXPERIENCE:**

With the exception of internships and non-career positions, it is the belief of CFC that both family members and CFC will benefit by a family member gaining work experience outside of the family business, before seeking a career at CFC on a full or part-time basis. Employment outside the family business, for a family member, will provide a learning experience and enhance skills that will be valuable in personal growth and the continued success and growth of CFC.

CFC requires that family members, who desire a career as either a full or part-time team member of CFC, first obtain work experience outside the family business before applying to CFC for an employment opportunity. Candidates should supply qualified references from their prior employment along with their resume. CFC strongly encourages a minimum of two years of full-time (or in the case of a part-time worker – part-time) work experience with an employer other than a family business enterprise (dependent upon the size of the business) and in a position which has a relationship to CFC's business needs. During the two-year outside work experience, the family member will need to be successful, with success being defined as have been promoted or advanced within the organization. Any exceptions to the above requirements would require the CFOB to pre-interview the family member and approve an interview and potential employment. If a family member is seeking a job, not a career, then outside work experience is not required.

## **EMPLOYMENT:**

1. Part-Time, Summer, and Temporary Jobs Family members interested should first contact the CRO and then contact Clemens Food Group Human Resources Manager.
2. Internship Program  
Internship programs are designed for those individuals in their junior or senior year of college. Upon completion of their employment, Family members shall be obligated to submit a written evaluation of their experience complete with observations and suggestions for any improvements. Family members interested should first contact the CRO and then contact Clemens Food Group's Human Resources Manager.
3. Entry-Level Non-Exempt and Exempt Full-Time Jobs Family members will be given preference for these jobs over non-family members, provided the family member's qualifications meet the minimum requirements and are similar to those of other job applicants. Years of experience will be taken into consideration.
4. Supervisory and Middle Management and Comparable Level Professional Jobs Family members who have been successful in entry-level jobs and have an interest in pursuing a supervisory, middle management or comparable level professional position will be given preference over non-family members. The family member, however, must meet the position requirements and have the capability of performing the job responsibilities of the supervisory, middle management or professional-level position.

## **EMPLOYMENT (CONT.):**

5. Senior Management and Senior Professional Positions Family members interested in these positions will need to be successful in senior management or senior professional positions outside the family business for a minimum of two years and possess the requirements of the position and be capable of performing the job responsibilities. Additionally, a four-year bachelor's degree from an accredited college or university is required.

## **FAMILY REMUNERATION POLICY**

It is the policy to pay family members a competitive rate of pay, neither higher nor lower than average rates paid. In the case of positions that have a stated rate within the company, the family member will be paid that rate. Senior Management compensation will be determined by the independent Board of Directors.

# **CO-INVESTMENT**

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As written in the Guidelines, CFC is comfortable with Co-investment so long as it is with family members and it meets or exceeds all our financial interests and is in the best interest to all shareholders. A detailed business plan will also need to be presented. CFC would be comfortable with a 50/50 joint venture (or more) so long as the partner shares our values. CFC would prefer not to become involved with minority investments, unless the Board is convinced it serves a special strategic purpose.

Criteria for family proposals are as follows:

1. The proposal must be accompanied by a detailed business plan and financial forecasts which are credible, comprehensive and demonstrate that the proposed venture is viable and offers CFC a reasonable and commercial return on its investment.
2. The proponent must be the sole or major promoter of the venture and, under normal circumstances will run the business himself/herself in a "hands on" manner.
3. The proposal must specify an equity contribution of personal funds by the proponent equivalent to at least 25% of the total amount of equity required to fund the proposal, constituting a significant outlay in terms of commitment and personal wealth of the proponent.
4. External financing for the proponent's interest in the venture must be non-recourse to CFC.
5. The proponent must demonstrate that the venture is financially viable in generating a rate of return commensurate with a benchmark rate of return for similar businesses within a period of three years from the date of investment.
6. The proposal must identify a possible credible exit strategy for CFC within five years of the investment.
7. The venture must be in a business area or field of endeavor which is consistent with CFC values.
8. The venture shall not be in direct competition with any CFC venture.

# **CONFLICT OF INTEREST**

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Family shareholders, family members and Team members of any CFC entity must use discretion when dealing with CFC shareholders or family members who own their own business and desire to conduct business with CFC. A minimum of two additional bids shall be acquired for any proposed work exceeding \$5,000. The CFOB has the right to request the Corporation either waives such requirement or outright deny the Corporation from using a family shareholder.

CFC shareholders or family members should not pressure any Team member to make decisions based on their personal agenda or ideas. Ideas should be directed to the Chief Relationship Officer who, in turn, gives the ideas to the CFOB or appropriate individual. This will include status of any Team member (hiring, job placement, promotion, or termination); products; acquisitions or selling of businesses; or any management function.

CFC shareholders or family members causing disruptions by interfering with CFC Team members shall be addressed by the Chief Relationship Officer. Any CFC Team member has the right to contact the Chief Relationship Officer if they are approached by a disruptive or disgruntled shareholder or family member. In either case, the Chief Relationship Officer shall address the issues directly with the shareholder. If warranted the Chief Relationship Officer shall deliver to the shareholder a verbal warning about the disruptive behavior and request any future concerns or issues be direct to the Chief Relationship Officer. After the first warning, if the shareholder continues to be disruptive, a second written notice is to be given by the Chief Relationship Officer, with a copy going to the CFOB. If a shareholder continues to cause disruptions after the second warning then he/she may be banned from CFC properties and further action could be taken.

# **FAMILY MEMBER USE OF COMPANY PROPERTY & VISITATION**

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## **INTRODUCTION**

The Company encourages Clemens family members to learn more about the Company and its business operations and the ability to access CFC-owned property is critical to this learning process. However, the ability to access CFC-owned property must be according to this Policy and only when safe and practical. Access by unauthorized individuals poses a security threat and a potential liability for the Company, and, therefore, the Company has taken seriously the need to implement standardized rules for all Clemens family members seeking to access CFC-owned property.

The Company grants permission to Clemens family members to enter CFC-owned property for location visits, recreational or hunting purposes. These visits are subject to certain rules, regulations and restrictions set by the Company, in its sole and absolute discretion. These rules, regulations and restrictions are necessary in order to prevent undue interference with Company operations and to ensure security for CFC-owned property. This grant of access to Clemens family members is expressly conditioned upon Clemens family members adhering to the rules, regulations and restrictions set by the Company from time to time.

## **LOCATION VISITS**

Clemens family members are encouraged to visit various Company locations to learn more about the Company's business operations. Location Managers are available to provide Clemens family members with tours of the location and, in fact, enjoy visits by Clemens family members. If you are interested in visiting a Company location, please contact the Chief Relationship Officer for assisting in scheduling your visit. For security reasons, and as a courtesy to location management, Clemens family members must check in with location security upon arrival at a Company location. All Clemens family members under the age of 18 must be accompanied by an adult who is a Clemens family member at all times when accessing a Company location.

## **CLEMENS FAMILY SHAREHOLDER HUNTING, FISHING & LAND USE ON CFC PROPERTIES**

All Clemens family shareholders under the age of 18 must be accompanied by an adult who is a Clemens family shareholder at all times when accessing any CFC properties. Hunting, fishing and recreation are privileges granted to Clemens family shareholders by the Company. Hunting, fishing and land use by Clemens family shareholders is subject to the rules and regulations established by the Company from time to time. Clemens family shareholder(s) not following the rules and regulations established by the Company may have their use rights restricted, suspended or terminated.

### **HUNTING & FISHING RULES AND REGULATIONS FOR CFC PROPERTIES**

Each Clemens family shareholder is permitted to have one guest and their guests are required to obtain a CFC hunting permit from the Chief Relationship Officer. Prior to allowing a guest to hunt and fish on CFC properties, a Clemens family member must provide the Chief Relationship Officer with the name of the guest. Please note that it is important for insurance reasons that the name of the guest be provided to the Company. All hunters and fishermen must have a valid license.



# **CONFLICT RESOLUTION**

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## **DISPUTE**

When any shareholder has a grievance or is carrying out a private or public disagreement with another shareholder, that issue may impact the Corporation's business or its Mission Statement. When news of the complaint is brought to the attention of the CFOB, CRO, and/or CEO, the CRO, or his designated representative, shall follow the Dispute Resolution process as defined below.

## **DISPUTE RESOLUTION**

1. When a dispute occurs, the Chief Relationship Officer is to attempt to mediate a resolution to the dispute by holding an in-person or telephonic meeting with the parties to the dispute.
2. If the CRO is unable to resolve the dispute, the CRO shall schedule a meeting of the CFOB and prior to that meeting provide the CFOB with a description of the background and subject matter of the dispute and a copy of all information relevant to the dispute. The disputing parties may be invited to attend a portion of the CFOB meeting to briefly present their case. The CFOB shall consider the matter in private and render a written opinion.
3. If the dispute can not be resolved within 60 days after it is considered by the CFOB, the matter is to be referred to the Executive Committee of the Board which should attempt to mediate a resolution to the dispute with 30 days.

## **LETTER OF SALE**

In the event that the dispute cannot be resolved by the Executive Committee of the Board, and upon the recommendation of a simple majority of the CFOB, the Corporation shall offer to purchase all participants' stock at current share value as determined by an independent third party in accordance with section III .E. of the Stockholders Agreement.

# DEFINITIONS

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<b>Family Member:</b>	A descendant of John C. Clemens, married, widow/widower spouse of a descendant [provided, however, that, in the event that a family member and his or her respective spouse divorce, the divorced spouse but not the children of the family shall lose his or her family member status as of the effective date of the divorce].
<b>Shareholder:</b>	An individual or trust that owns common or preferred stock in The Clemens Family Corporation.
<b>Immediate Family Member:</b>	Spouse, child, parent, brother, sister, son-in-law, daughter-in-law, parent-in-law, brother or sister-in-law.
<b>Key Shareholder:</b>	A single shareholder owning more than \$3.5 million dollars in CFC stock.
<b>Significant Shareholder:</b>	A married shareholder owning more than \$7.5 million dollars in CFC stock.
<b>Supervisory Capacity:</b>	Lead position or greater.
<b>Preference:</b>	Employment and / or promotion will be awarded to family members over non-family provided they meet the qualifications of the position and are equally qualified as the non-family employee.
<b>Success*:</b>	When a family member has been promoted or advanced while employed with an outside organization.
<b>Career:</b>	Benefit level greater than 05.
<b>Job:</b>	Benefit level no greater than 05.

\* Final determination of success will be by the CFOB` taking into account the size (revenue) and number of employees of the outside organization.