

# **ROYAL HAWAIIAN ORCHARDS, L.P.**

## **POLICY AND PROCEDURE ON INSIDER TRADING AND NON-DISCLOSURE OF MATERIAL NON-PUBLIC INFORMATION**

**Approved June 7, 2017**

The policy of Royal Hawaiian Orchards, L.P. (“RHO” or the “Partnership”) is to prohibit directors, officers and all other employees from engaging in “insider trading” of RHO securities. A director, officer or employee is engaging in insider trading if he or she is buying or selling Partnership securities, or advising, “tipping” or assisting other persons in buying or selling Partnership securities, while in possession of Material Non-Public Information (as defined below). Insider trading is a violation of federal law and can subject both the director or employee and the Partnership to civil and criminal penalties under federal securities laws. Violation of this Policy against insider trading may also result in disciplinary action up to and including discharge.

The purpose of this Policy is to define the rules and procedures applicable to the purchase and/or sale of RHO Class A units (“Units”) or other securities and to reiterate the sensitive and confidential nature of many Partnership communications and the need for directors, officers and all other employees of the Partnership to keep such information strictly confidential and to disclose or use such information only as appropriate for the legitimate business needs of the Partnership.

### **Persons and Transactions Covered by this Policy**

This Policy covers all directors, officers and employees of the Partnership and any affiliated companies, including Royal Hawaiian Macadamia Nut, Inc. (“RHMN”), Royal Hawaiian Resources, Inc. (“RHR”), and Royal Hawaiian Services, LLC (“RHS”), and applies to any and all transactions in Units, and any other types of securities that the Partnership may issue. This Policy also applies to transactions by family members or other persons living in the same household and by any other person or entity, including a trust, corporation, partnership or other association, whose RHO securities are beneficially owned by directors or Partnership management.

### **Individual Responsibility**

All directors, officers and employees of the Partnership and its affiliates may have access, incidentally or in the course of their work with or at the Partnership, to information about the Partnership’s business which is not yet known by the public. It is the duty of each such person to keep such information strictly confidential and to disclose or use such information only as appropriate for the legitimate business needs of the Partnership. In addition, it is the duty of each director, officer and employee not to use this position for direct or indirect personal gain. Thus, each director, officer and employee is responsible for understanding the Policy and following its

guidelines. A copy of this Policy will be delivered to all directors, officers and employees of RHR, RHO, RHS and RHMN, and each will be required to certify compliance with its terms.

## **GENERAL PRINCIPLES AND DEFINITIONS**

**Prohibition on Insider Trading.** United States federal securities laws and regulations prohibit a person who is in possession of Material Non-Public Information concerning the Partnership from:

- (i) purchasing and/or selling RHO Units or other securities; and
- (ii) advising, “tipping” or otherwise assisting third parties trading in RHO Units or other securities.

The penalties for violation of securities laws and regulations can be severe both for the person concerned and for RHO. The penalties are described later in this Policy.

**Non-disclosure of Material Non-Public Information.** Any personal use or disclosure to an unauthorized person of Material Non-Public Information, prior to public disclosure, is a violation of this Policy.

**Material Information.** “Material Information” means:

- information that is substantially likely to be viewed by a reasonable investor as significant in deciding to buy or sell securities;
- information that one could reasonably assume can have a direct impact on the market price of the Partnership’s securities; and
- information whose public disclosure would be expected to significantly alter the total mix of information in the marketplace about the Partnership.

The Partnership regards information about the following matters as likely to be material in many circumstances:

- Significant changes in the Partnership’s prospects;
- Significant write-downs in assets or increases in inventory;
- Proposals, plan or agreements, even if preliminary in nature, involving mergers, acquisitions, divestitures, recapitalizations, strategic alliances, licensing arrangements, or purchases or sales of substantial assets;
- Developments regarding significant litigation or government agency investigations, approvals or rejections;
- Liquidity problems;

- Any potential financing or reduction of indebtedness;
- Award or loss of a significant contract;
- Significant pricing or cost changes;
- Proposed changes in distributions to Unit holders;
- Quarterly and annual financial statements and reports;
- Significant increases or decreases in the amount of outstanding securities through offerings, buybacks or other transactions;
- Changes in the Partnership’s certifying accountants; and
- Changes in Partnership management or control.

The Partnership’s Compliance Officer or outside legal counsel should be consulted concerning any doubts about whether information constitutes Material Information.

**Material Non-Public Information.** “Material Non-Public Information” is any Material Information that has not been publicly disclosed. The Partnership may make public disclosure by issuing a press release through a major news service, making a public filing with the Securities and Exchange Commission (the “SEC”) or other regulatory agency, posting information on its website or otherwise making information widely available to the public. Once the information has been publicly disclosed and has been available for a period of time (usually two or three days) sufficient to allow the market to understand and react to the information, it is no longer Material Non-Public Information.

**Compliance Officer.** The President of RHR, the managing general partner of the Partnership, is the Compliance Officer who will respond to questions regarding the provisions or procedures of this Policy. The President may be reached as follows:

President  
 Telephone: 303-339-0500  
 E-mail: bnelson@rhrnut.com

### **BUYING AND SELLING RHO SECURITIES**

**Pre-Clearance Procedure.** To prevent inadvertent violations and to avoid even the appearance of an improper transaction (which could result, for example, where an insider engages in a trade while unaware of a pending material development), all directors, officers and employees wanting to purchase, sell or otherwise transfer RHO securities must obtain pre-clearance from the Partnership’s Compliance Officer. Pre-clearance may be requested by telephone or e-mail and will be responded to promptly. Pre-clearance requests should describe the type and anticipated timing of the transaction desired and the amount of securities involved. If an approved transaction is not effected within ten (10) business days after receipt of approval,

pre-clearance of the transaction must be obtained again. Although a transaction may have been pre-cleared, the ability to effect such transaction is always subject to limitation for anyone in possession of Material Non-Public Information.

**Trading Windows.** Directors, officers and designated key employees must limit transactions in Partnership securities to “trading windows.” All employees are encouraged to limit such transactions to trading windows. Transactions during trading windows will be cleared if possible. However, if there is any Material Non-Public Information that has not been publicly disclosed, then transactions will not be allowed. “Trading windows” are the thirty (30) calendar days beginning on the third business day after the day on which the Partnership releases its quarterly or annual results. Thus, if an announcement is made on Monday, Thursday would be the first day the trading window would be open. If an announcement is made on Friday, then Wednesday would be the first day.

**10b5-1 Trading Plan.** Directors, officers and employees may purchase, sell or otherwise transfer RHO securities pursuant to a trading plan or arrangement satisfying the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the requirements of this Policy (a “Trading Plan”). The Trading Plan must be documented, bona fide and previously established (at a time when the person did not possess Material Non-Public Information) and must specify the price, amount and date of trades or provide a formula or other mechanism to be followed.

RHO must pre-approve any Trading Plan, which may be evidenced by the Partnership’s signature on the Plan or other written approval. Directors and Partnership management are not required to obtain pre-clearance of Trading Plan transactions that would otherwise be required by the pre-clearance procedure discussed previously in this Policy.

RHO reserves the right to require that additional provisions be included in a Trading Plan with the objective of complying with Rule 10b5-1. The Partnership shall not impose requirements regarding specific trades or trading instructions. The Partnership may make public disclosures regarding the existence or terms of a Trading Plan if the Partnership deems it desirable, and may establish procedures with third parties to ensure timely compliance with Section 16 requirements. RHO also reserves the right to require that transactions under a Trading Plan be suspended during periods when the Partnership believes that legal, contractual or regulatory restrictions could prohibit such transactions or make them undesirable. These might include periods during which directors, executive officers and certain other employees have agreed with underwriters that they will not sell RHO securities for specified periods before and after a public offering, or periods in proximity to a public offering during which Regulation M prohibits purchases by affiliates.

Not all Trading Plans are structured to be risk free from insider trading liability. Those individuals who wish to consider adopting a Trading Plan are encouraged to consult with their financial, tax and legal advisors to help ensure that a Trading Plan meets their objectives.

**Transaction Reporting.** Following any transaction in the Partnership’s securities, directors, officers and ten percent (10%) unitholders are required to file a Form 4 with the SEC

no later than the end of the second business day, Eastern Time, following the day on which a transaction has been executed. In addition, changes to Section 13G or 13D ownership reports may be required.

**Additional Prohibited Transactions.** It is the policy of the Partnership that directors, officers, and management level employees *may not* engage in any of the following activities with respect to Partnership securities at any time:

- Short sales (a sale of securities which are not owned by the seller at the time of the sale), including short sales against the box;
- Buying or selling puts or calls;
- Buying financial instruments designed to hedge or offset any decrease in the market value of RHO securities owned by the individual directly or indirectly, including prepaid variable forward contracts, equity swaps, collars, and exchange funds; and
- Frequent trading (for example, daily or weekly) to take advantage of fluctuations in the Unit price.

In addition, because purchasing RHO securities on margin can raise potential problems under the U.S. securities laws, it is strongly suggested that directors and members of management consult with the Partnership's outside legal counsel before purchasing or selling Partnership securities in margin accounts.

**Other Legal Obligations.** The restrictions set forth in this Policy are in addition to the legal requirements that may otherwise apply to transactions of RHO or RHR directors and officers in Partnership securities, such as Rule 144 of the Securities Act of 1933, as amended; the reporting, short-swing profit and prohibited transaction provisions under Section 16 of the Exchange Act; and the prohibition on purchases while the Partnership is distributing securities. The Partnership's outside legal counsel is available to advise you further about any of these matters.

**Potential Civil and Criminal Penalties.** An individual who trades or tips Material NonPublic Information is subject to civil penalties of up to three times the profit gained or loss avoided, as well as criminal penalties of up to US \$1 million and/or a jail term of up to ten years.

If RHO were found by a court to have failed to take appropriate steps to prevent illegal trading, RHO would be subject to civil penalties of US \$1 million or more as well as criminal penalties of up to US \$2.5 million.

#### **NON-DISCLOSURE OF MATERIAL NON-PUBLIC INFORMATION**

Serious problems could be caused for RHO by unauthorized disclosure of internal information about the Partnership, whether or not the disclosure was made for the purpose of facilitating improper trading in the Partnership's Units. Directors, officers and employees of the Partnership and its affiliates should not discuss internal Partnership matters or developments with

anyone outside the Partnership, except as required in the performance of regular partnership duties. This prohibition applies to responding to inquiries about the Partnership or its affiliates which may be made by the financial press, investment analysts or others in the financial community. It is important that all such communications on behalf of the Partnership be through an appropriately designated officer. Unless you are expressly authorized to the contrary, if you receive any inquiries of this nature, you should decline to comment and refer the inquirer to the President of RHR.

Any disclosure to an unauthorized person or personal use of material information, prior to public disclosure, is a violation of Partnership policy. Authorized persons to whom this information may be communicated (but only to the extent reasonably necessary) are:

- other employees to whom the information is provided for the advancement of the business objectives of the Partnership; or
- the Partnership's accountants, investment advisors, bankers, attorneys or other persons who have been retained by the Partnership for the purpose of advising the Partnership in connection with the information.

For the purpose of controlling sensitive information, the following procedures are to be observed:

- All financial statements are to be treated as confidential information by all employees and are not to be disclosed or discussed in the presence of, or otherwise disclosed to, unauthorized persons;
- Quarterly or annual results should not be discussed in the presence of, or otherwise disclosed to, unauthorized persons until publicly released; and
- Changes in financial results or contractual developments are confidential information and are not to be discussed in the presence of, or otherwise disclosed to, unauthorized persons until such results or trends become public information. This information is usually published by the Partnership through filings with the SEC to the extent it is disclosed at all.

## **GENERAL**

**Reporting of Violations.** Any director or member of Partnership management who violates the prohibitions against insider trading or knows of a violation by any other person must report the violation immediately to the Compliance Officer and the Chairperson of the Audit Committee. Upon learning of any violation, the Compliance Officer or the Chairperson of the Audit Committee will determine whether RHO should publicly release any Material NonPublic Information, or report the violation to the appropriate governmental authority. As stated previously, violation of this Policy may result in disciplinary action up to and including discharge.

**Questions.** Please direct all questions regarding any of the provisions or procedures of this Policy to the Compliance Officer.

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*COMPLIANCE CERTIFICATE*

**PLEASE CAREFULLY READ THE FOLLOWING:**

TO: ROYAL HAWAIIAN ORCHARDS, L.P.

I HAVE READ AND UNDERSTAND THE ROYAL HAWAIIAN ORCHARDS, L.P. POLICY AND PROCEDURE ON INSIDER TRADING AND NON-DISCLOSURE OF MATERIAL NON-PUBLIC INFORMATION (“THE POLICY”). I confirm that I have complied with and will continue to comply with the letter and spirit of the Policy during my employment with Royal Hawaiian Orchards, L.P. or any of its affiliates. I agree to give promptly a written report to the Compliance Officer describing any circumstances in which:

1. I have reasonable basis for belief that a violation of the Policy has occurred;
2. I have, or any member of my family has, or may have, engaged in any activity that violates the letter or spirit of the Policy;
3. I have, or any member of my family has, or may have, an interest that violates the letter or the spirit of the Policy; and
4. I or any member of my family may be contemplating an activity or acquisition that could be a violation of the Policy.

I understand that the Policy in no way creates an express or implied contract concerning the terms, conditions or duration of my employment with the Partnership or any of its affiliates.

Name (typed or printed)

Signature

Date