

VERMONT

SMOKE
& CURE

Better Meat for All.™

2015 Annual Benefit Corporation Report





Leadership Statements

“At Vermont Smoke & Cure, we’ve been consciously crafting delicious smoked meats and meat snacks since 1962. We use humanely raised meats whenever possible and simple, local ingredients like Vermont maple syrup and apple cider, combined with the highest quality spices and herbs. Our team of employee-owners makes everything in our smokehouse right here in the hills of Vermont. We pride ourselves on being a good neighbor and valuable partner to our local farmers. This is simply the way we do business: taking care to protect, respect, and support our environment, employees, products, and community – and the beauty is, it all combines to create the finest flavor in every bite, and the best results for all of the stakeholders in our business. We have prepared the following benefit report to highlight our efforts and accomplishments over the past year, and to provide insight into our future goals and objectives as we apply our principles in building a profitable, socially responsible, sustainable business.”

Chris Bailey, Chief Executive Officer

“As Benefit Director for Vermont Smoke & Cure, it is my opinion that the company acted in accordance with its general benefit purpose during Fiscal Year 2015 and that the directors and officers acted in accordance with Benefit Corporation standards of conduct. I am proud of the efforts made by the Company and its Board this year and look forward to further progress in the years to come.”

Chuck Lacy, Benefit Director



Table of Contents

An Introduction: Our Mission, Vision, & Values.....	4
Benefit Corporation: A New Beginning & A Deeply-Rooted Promise	4
Our Employee-Owners.....	5
Our Community Connection.....	8
Our Product Standards.....	11
Our Environmental Commitment.....	12
2016 Aspirations.....	15
Contact Information.....	16

An Introduction: Our Mission, Vision, & Values

Founded in Vermont in 1962, Vermont Smoke & Cure has, for more than half a century, been dedicated to crafting smoked meats and meat snacks using traditional recipes and modern techniques. Vermont Smoke & Cure's purpose is to continually make the meat business better, and in so doing, make better meats. Vermont Smoke & Cure addresses the meat business from multiple angles:

- Transparent sourcing of more sustainably and humanely raised meats,
- Increasing purchases of local and regionally grown ingredients preferably and when feasible,
- Employee compensation, benefits and company ownership,
- Energy and material-efficient processing operations, and
- Providing professional processing services for small scale farms to direct market.

From its state-of-the-art smokehouse in Hinesburg, Vermont, the Company develops and produces award-winning meat snacks, bacon, ham, and sausages that are free from artificial preservatives (such as sodium nitrite), MSG and gluten, and that are significantly lower than leading products in sugar and sodium, and ships them to distributors to retailers nationwide. Increasingly, the products are made from meats raised without antibiotics, vegetarian fed and raised without added hormones. Vermont Smoke & Cure makes a concerted effort to partner with local and regional vendors that provide the highest quality ingredients, and, whenever possible, to use certified humanely-raised meats.

The Benefit Corporation: A New Beginning for a Deeply-Rooted Promise

In December 2014, Vermont Smoke & Cure elected to become a Vermont Benefit Corporation. The Vermont Benefit Corporation law establishes a legal structure that statutorily requires a company's managers and directors not only to consider profits when making business decisions, but also to consider the impact of the Company's operations upon its employees, customers, community, and the environment. Further, under the statute, all Benefit Corporations must provide transparency and accountability on their social and environmental performance by publishing an annual benefit report that is subject to third party assessment standards. Vermont Smoke & Cure's Benefit Corporation election was not a revolutionary decision that reflected a new identity or recently adopted character traits. Instead, it was reflective of a decades' long and deeply-rooted promise to operate the business for the betterment of all of our stakeholders. This report marks our first as a Vermont Benefit Corporation.

Our Employee Owners

Mission: *Vermont Smoke & Cure strives to be a respected and desirable employer; creating an ownership culture in which all full time employees receive and maintain a direct ownership interest in the business and participate in the creation of enterprise value through the Company's employee stock option plan.*

Vermont Smoke & Cure also has committed to offering a comprehensive suite of employee benefits (*e.g.*, medical, dental vision, EAP). During 2015, Vermont Smoke & Cure offered all full-time employees these benefits and for the first time attained a livable wage for 100% of all such employees. All of these benefits and programs are offered in a professional manufacturing environment focused intensely on employee safety and on becoming a world-class facility.

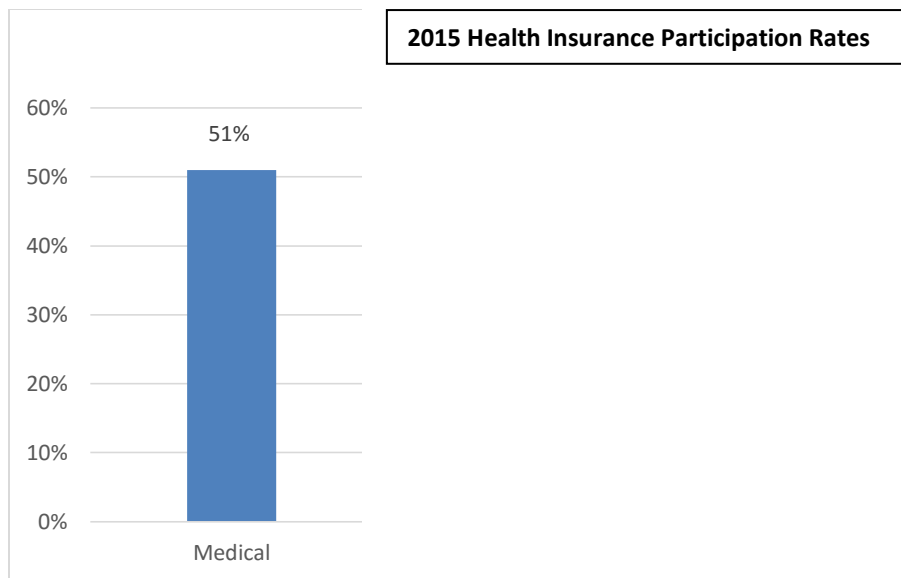
Health Insurance

Vermont Smoke & Cure implemented an Open Access High Deductible Medical Plan with Health Reimbursement Arrangement (HRA) combination, which is administered by CIGNA and implements a progressive cost sharing program whereby lower income participants have a lower monthly cost than higher income participants. Some details of the plan:

- Medical Plan Deductible: \$3,500 Employee/\$7,000 Family
- Coinsurance After Deductible: 50% of covered medical expenses
- Total Out of Pocket Limit/year: \$6,350 Employee/\$12,700 Family
- VS&C HRA Benefit: After the first \$1,000, the VS&C HRA will pay 100% of the next \$1,250 of the \$3,500/\$7,000 Medical Plan Deductible

Delta Dental Preferred Plan includes 100% Diagnostic/Preventative coverage with no deductible or waiting period. Basic, Major, and Orthodontics are also covered with varying deductibles, co-pay %, and waiting periods. VSP Vision Care provides low out-of-pocket costs, high quality vision care options, choice of providers, and discount eyewear benefits.

Based on eligible (Full Time, defined as 30 hours weekly or more; 97% of employees are full time), 2015 participation rates are as follows:



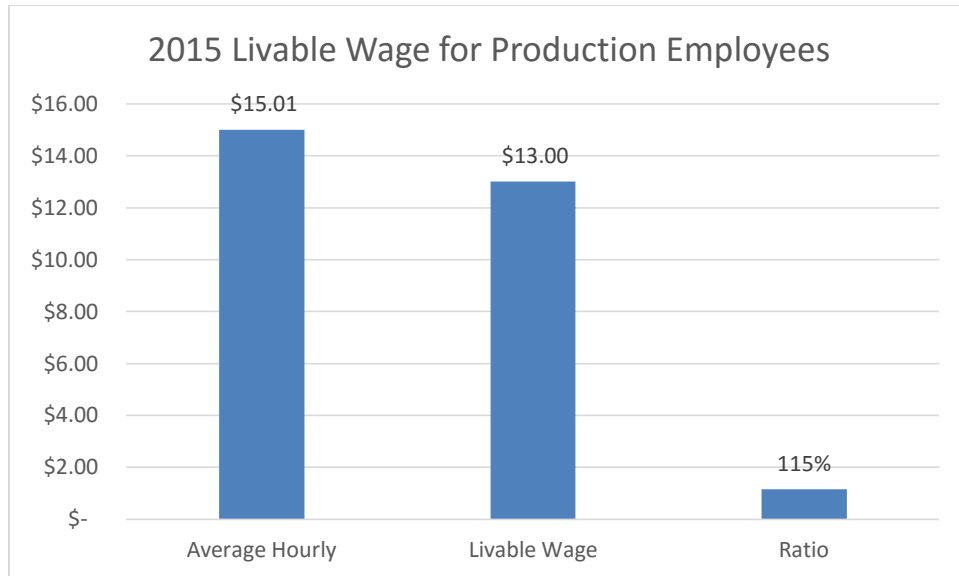
Company Ownership

The Board of Directors approved and implemented during 2015 an employee stock option plan. 100% of Full Time employees are or within 6 months of hire will become holders of stock options.

Livable Wage

During 2015, Vermont Smoke & Cure increased wages to above the Vermont living wage¹ of \$13.00 per hour for all employees post-probationary period. Production employees can take up to 6 months to reach the “trained, operator” base rate of \$13.50/hr. The average for production employees, including bonuses, was \$15.01 per hour. The median production hourly rate is \$13.50, which reflects the rapid growth in numbers as well as turnover of production positions, and the relative numbers of production workers and production floor leadership positions. The average pay rate at the end of 2014 was \$12.99 per hour; average hourly including bonuses was not calculated for 2014.

¹ Determined in 2014 by the Vermont Legislative Joint Fiscal Office. New data are expected to be released in January of 2017.



External Surveys of Culture and Morale

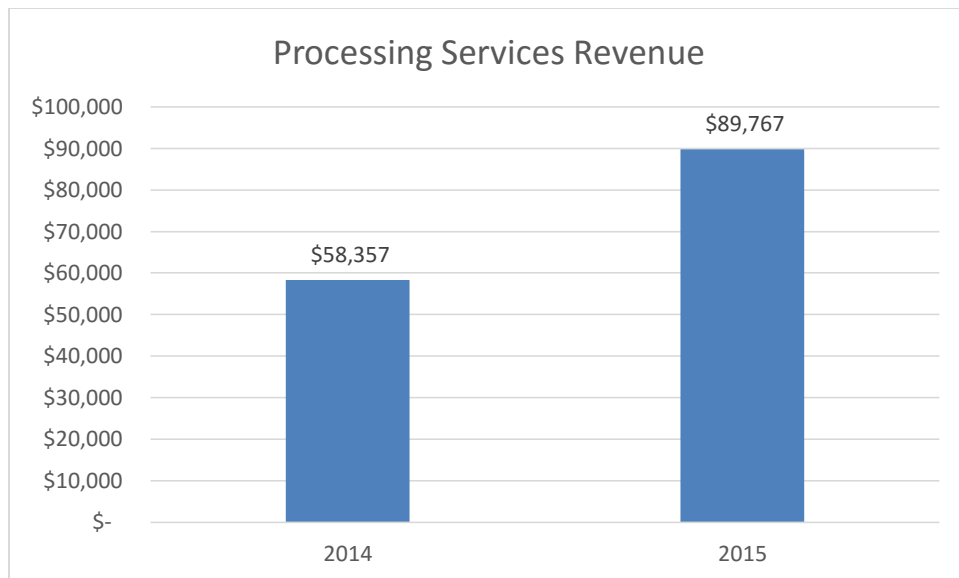
Vermont Smoke & Cure uses the “Best Places to Work” survey as a learning tool to help diagnose how we’re doing as an employer. As of March 1, 2016, 2015 data from “Best Places to Work” survey has not yet been received. Each year, groups of employees from all areas and levels will work together to determine the best ways to improve on the biggest opportunities identified by the survey.



Our Community Connection

Mission: *Vermont Smoke & Cure is committed to creating economic opportunities and promoting family-scale farms in Vermont and its surrounding region by offering commercial meat processing services to farmers at competitive prices.*

Vermont Smoke & Cure provides state-of-the-art processing services to family-scale farms in Vermont and nearby states, helping enable them to participate in local and regional processed meats markets. Availability of processing services is limited, particularly for capital-intensive items such as hot dogs and snack sticks; and for packaging that looks professional and doesn't put products at a disadvantage on store shelves.

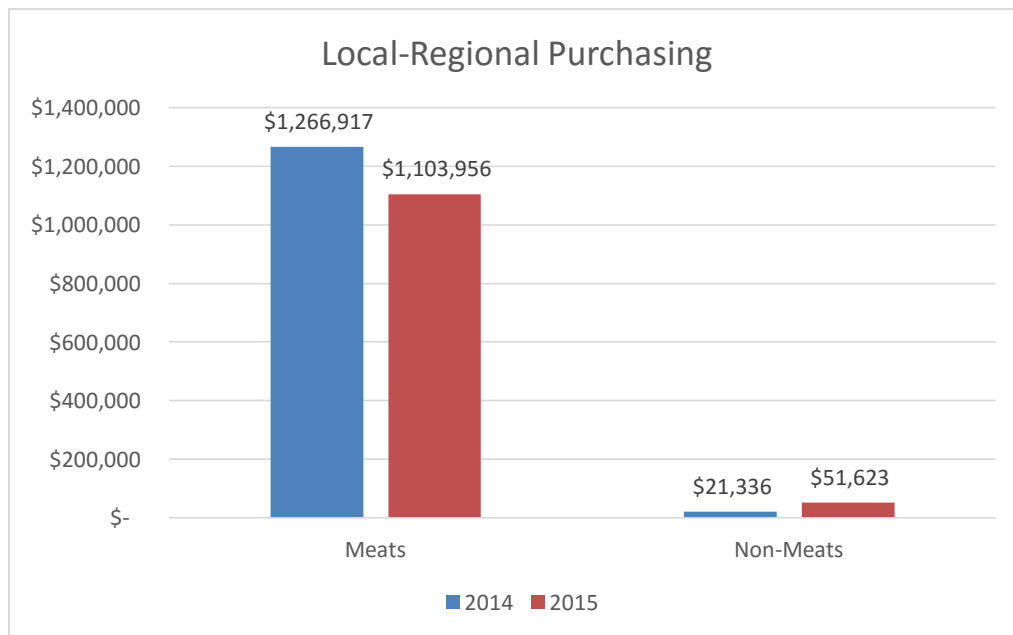


Based on per-lb. revenue for processing services only. Total value of meat processed is 5x to 10x the value-added services cost and will be tracked per-item starting in 2016.

Vermont Smoke & Cure offers processing to create 18 different products. Bacon hot dogs were added during 2015 and were highly popular for farmers and their customers. The number of farms provided processing services was not tracked during 2015, but will be during 2016.

Mission: *Vermont Smoke & Cure actively promotes businesses and family-scale farms based in Vermont and its surrounding region (New York - New England - Quebec) by continuously seeking to increase the Company's sourcing of local ingredients and materials from regional vendors.*

Vermont Smoke & Cure works to proactively source ingredients of exceptional quality grown and processed local and regionally. During 2015, the Company purchased five different items (beef, maple syrup, maple sugar, apple cider, pork) from six different farms or aggregators. Pineland Farms is the primary beef supplier. DuBreton, located in Quebec, Canada, is the primary pork supplier and its farms are in Quebec and Ontario. Sweet Retreat in Northfield, Vermont is the maple syrup supplier and Butternut Mountain Farm the maple sugar supplier. Champlain Orchards and Cold Hollow provide apple cider.



Vermont Smoke & Cure's purchases of local-regional meats declined during 2015 for two reasons. Pineland Farms during much of the year reduced by half versus the previous year the amount of beef it offered to Vermont Smoke & Cure, leading to a reduction in purchases. A local Vermont pork farmer whose pork Vermont Smoke & Cure had collaborated with in building an independent brand was the subject of regulatory enforcement action predicated on fraudulent conduct by the farmer, and upon discovering these circumstances in early 2015 Vermont Smoke & Cure ceased sourcing from this party.

Mission: *Vermont Smoke & Cure is committed to maintaining a primary and permanent office and manufacturing presence in the State of Vermont.*

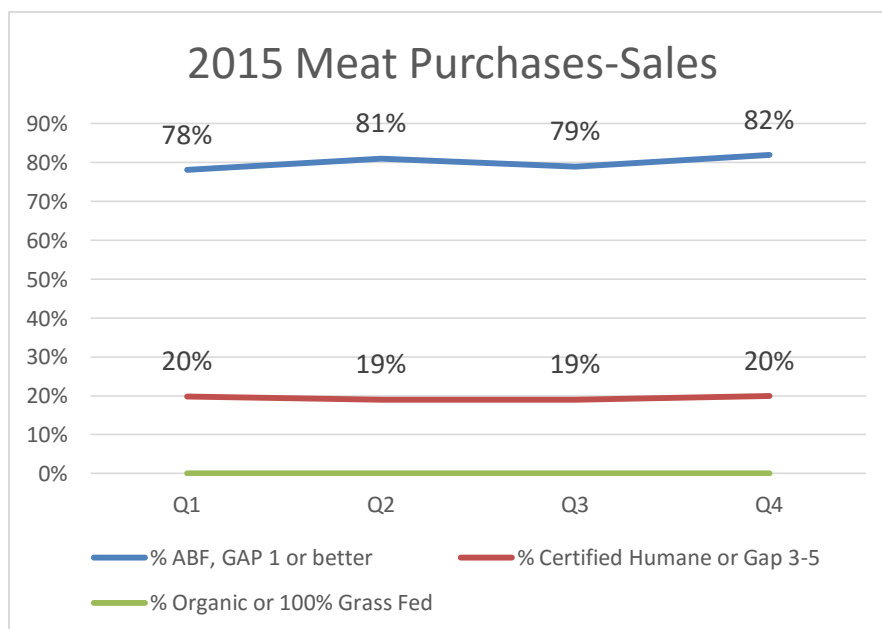
In 2015, Vermont Smoke & Cure was proud to announce the significant expansion of its manufacturing and office facilities in Hinesburg, Vermont. The additional production capacity was necessary to help Vermont Smoke & Cure meet the demand for its meats and meat snacks. The expansion will benefit Vermont's economy, community and farmers. The expansion includes a 16,000 square foot increase to the raw materials coolers, refrigerated processing rooms and smokehouses, all within the building that previously housed our operations. The project also created approximately 3,000 square feet of office space. This capacity expansion generated 23 new, full-time jobs in 2015 to a total of 69, and has significantly increased Vermont Smoke & Cure's ability to purchase from and carry out processing services for the region's farmers.



Our Product Standards

Mission: *Vermont Smoke & Cure strives to promote consumer awareness concerning the importance and advantages of buying meats that are (a) healthier for human consumption, (b) produced using humane practices, (c) that support and are financially viable for local and regional family-scale farmers and (d) that have a lower environmental impact.*

Vermont Smoke & Cure has actively implemented this fundamental product philosophy through a commitment to sourcing meats raised without antibiotics or added hormones, and other high quality, natural ingredients so that we can offer consumers healthier and better alternatives to leading competitive products in our categories, many of which use artificial preservatives, fillers, and other questionable ingredients. Vermont Smoke & Cure actively seeks to purchase meats raised and certified by either the Global Animal Partnership® (“GAP”) or the Humane Farm Animal Care® (“HFAC”) certification programs. Both are independent, third-party organizations who perform on-site audits on farms, slaughter facilities and further processing plants. By sourcing meats that comply with these standards, Vermont Smoke & Cure ensures that its key ingredients come from farms and facilities that meet objective standards for humane farm animal treatment. HFAC-certified meats are in short supply and from a short list of vendors, and the Company is working with the sole supplier, DuBreton, to increase the amount it purchases.

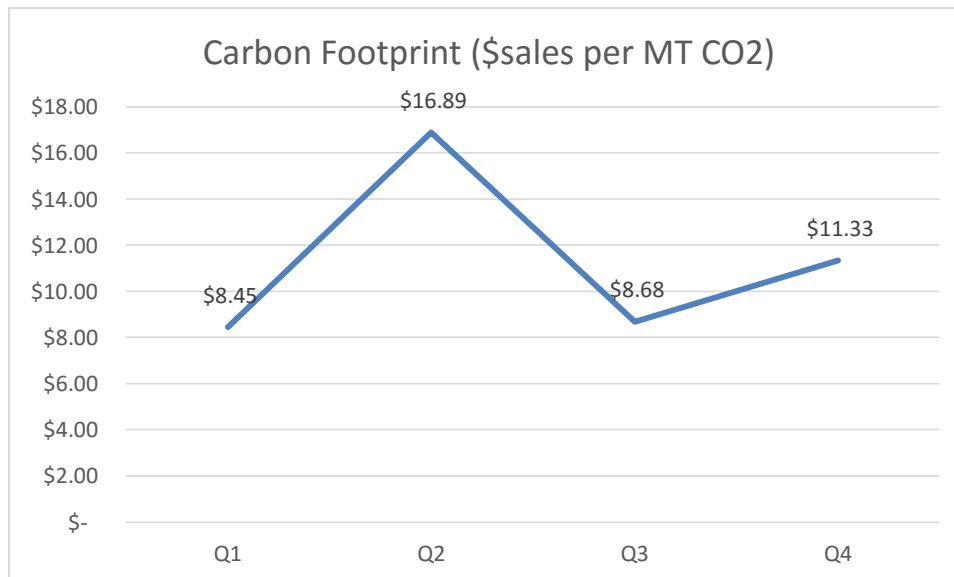


Our Environmental Commitment

Mission: *Vermont Smoke & Cure continuously explores and implements commercially reasonable methods and solutions to minimize its consumption of natural resources and the overall environmental impact of the Company's processing and business operations.*

Vermont Smoke & Cure tracks and records information regarding the acquisition, utilization, and efficiency rates concerning its use of natural resources and raw materials. It is actively engaged in an ongoing and broad-based program of continuous improvement with regard to energy efficiency and reduction, and provides training and encouragement to its entire workforce instructing the team to conserve energy, recycle and reduce waste. Vermont Smoke & Cure has partnered with suppliers of sustainable energy technologies, services and products, and is committed to operating a successful manufacturing business that minimizes its impact on the surrounding natural environment.

Energy

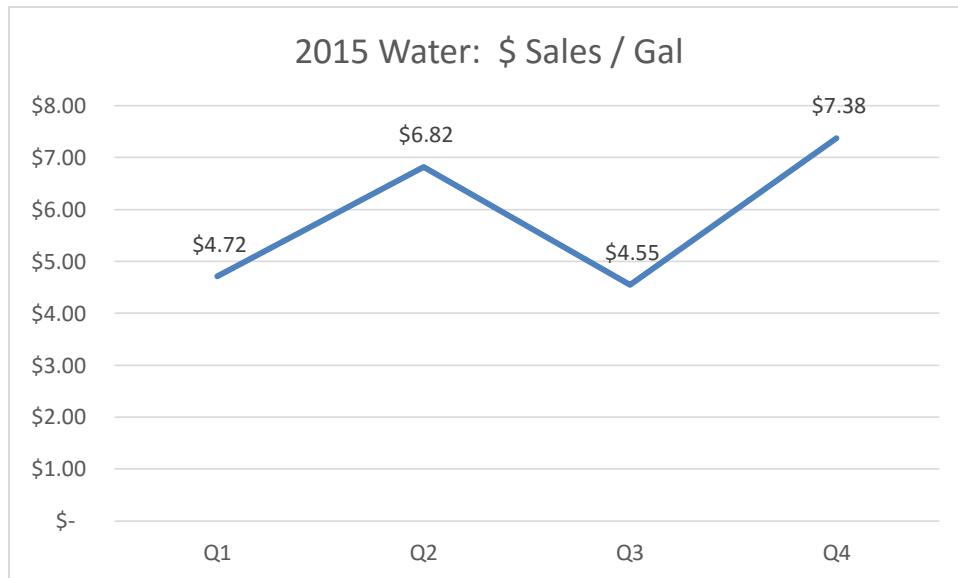


The Company's carbon footprint as measured by gross sales per metric ton CO2 fluctuated during each quarter of 2015 with changes underway in sales, construction activities, and putting into operation a >50% expansion of refrigerated and lit space. During 2016 and onward, this metric is expected to become more stable and to improve with increased throughput, sales and operating efficiency.

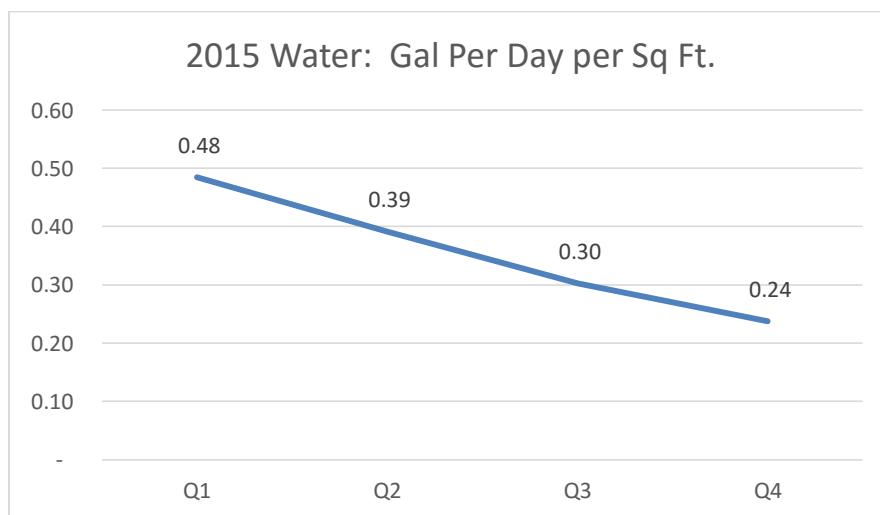
Approximately 40% of electric power during 2015 came from solar power generated in

Vermont. All renewable energy credits (REC's) are retired with the Company's purchase of this solar power. Vermont Smoke & Cure is in the process of securing additional electricity generated in Vermont.

Water



The facility expansion and quarterly changes in sales led to a similar situation with water usage versus sales as to carbon footprint versus sales. Water usage per square foot of processing, however, facilities dropped consistently.



Packaging, Recyclable Materials and Solid Waste

Vermont Smoke & Cure gained the resources to track these metrics during Q4 of 2015 and so is able to report Q4 numbers to use as a baseline for the future.

- Revenue \$ per lb. of solid waste: \$72.96
- Packaging mass per \$ revenue: .019 lb.
- % of packaging mass that is >30% recycled content: 68%
- % of packaging mass that is recyclable: 73%



2016 Aspirations

After our first year as a Vermont Benefit Corporation, Vermont Smoke & Cure takes pride in the accomplishments toward creating demonstrable benefits for our community, employees, and the environment - but our ambitions are greater still. Our leadership team, board of directors, and team of employee-owners have embraced the idea that Vermont Smoke & Cure will continue to commit its efforts to ensuring that it not only creates value for shareholders, but also leaves a positive impact upon the commercial landscape in which it competes, and the society in which it operates. Guided by these principles Vermont Smoke & Cure hopes to achieve the following goals in 2016 and beyond:

- Offer health promotion initiatives and leadership training across the company.
- By June 1 of 2016, all of our products will be made from meats raised without antibiotics, vegetarian fed and raised without added hormones.
- Continue to work toward greater operational efficiency with regard to natural resources and raw materials.
- Secure additional solar electric power generated nearby in Vermont. Continue to promote local farmers in our marketing to raise awareness for family scale farms.
- Continue to improve operations and number of products we offer to make for local farmers as a service.

We look forward to reporting our progress in a year.



Company Contact Information

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