



2016 Annual Benefit Corporation Report



Leadership Statements

"In our second year as a Vermont Benefit Corporation, the team at Vermont Smoke & Cure continues to take great pride in our efforts and





achievements as we strive to attain increasingly high standards in environmental responsibility, product quality, employee ownership, compensation and benefits, and community engagement. 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, Founder & Chairman

“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 2016 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

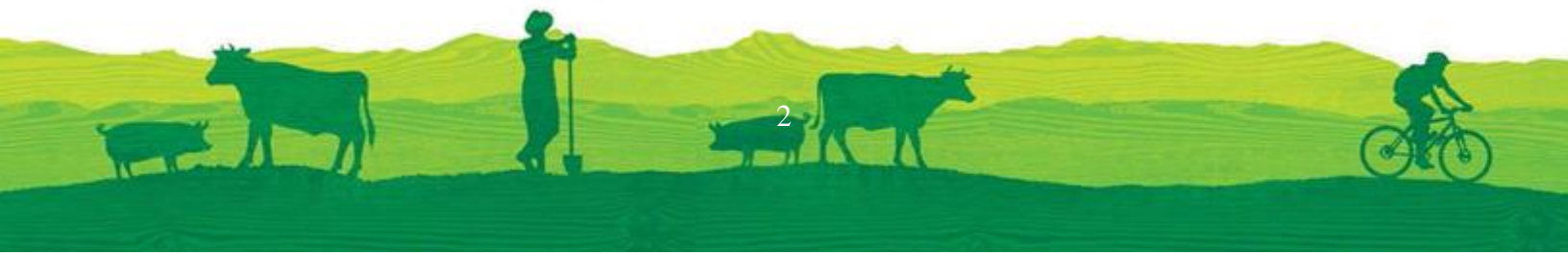




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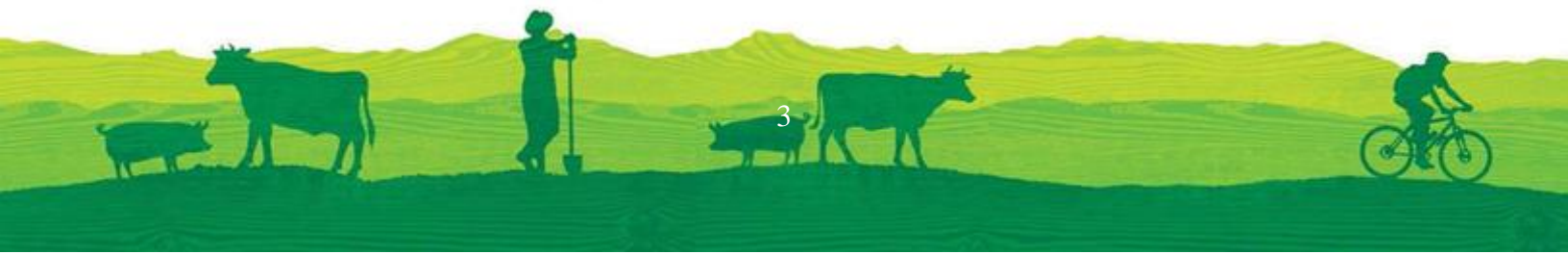
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2016: The Year in Review

Vermont Smoke & Cure began 2016 with an ambitious plan to create a successful, profitable business, and meet internal standards of sustainability, accountability, and leadership. The year saw an increasingly competitive landscape in the meat snack and refrigerated meats categories, with many new players entering the marketplace and other more established brands acquired by larger industrial agribusiness and consumer packaged goods enterprises. The escalating level of competition has only reinforced our belief that our commitment to a more responsible way of doing business is a competitive advantage. As a result we are intensifying our efforts to lead in product quality, integrity, and community accountability: to make the meat business better.

In May 2016, Vermont Smoke & Cure was certified by B-Lab® as a B-Corp®. The B-Corp certification signifies that the Company meets “the highest standards of verified social and environmental performance, public transparency, and legal accountability, and aspire(s) to use the power of markets to solve social and environmental problems.” (www.bcorporation.net). In addition to the broad set of criteria assessed by B-Corp, this certification publicly recognizes the Company’s work to preserve and increase market access for Vermont and regional farmers through our processing services and purchases, employee ownership culture, improvements to pay and benefits, and efforts to minimize the environmental impact of our business operations.

Additionally, in 2016 the Company completed the multi-year transition of its entire product portfolio to be sourced 100% from meats raised without antibiotics and added hormones,



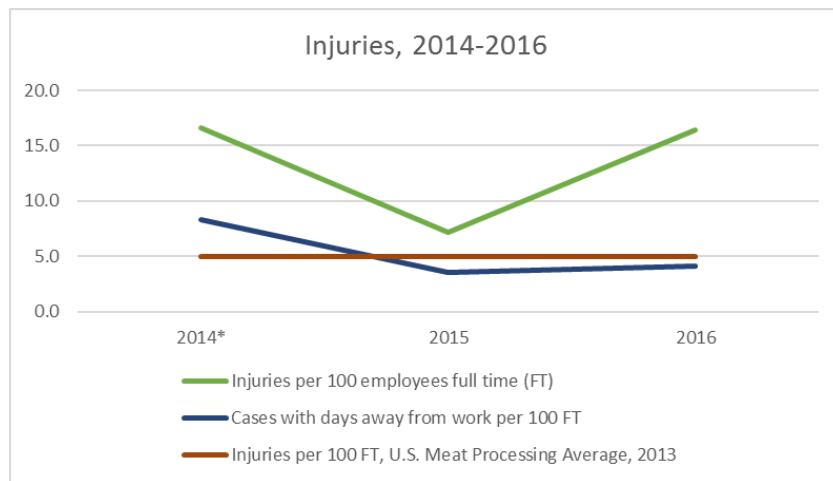


and produced without added sodium nitrite. In the area of employee-ownership and benefits, the Company successfully increased its average manufacturing hourly wage to \$16.39, up from last year's average of \$15.01.

The following report highlights the Company's achievements in 2016 and further addresses the challenges ahead as we strive to reach ever-higher standards in each of our specifically defined benefit objectives.

Workplace Safety

Although employee safety isn't listed as a specific mission benefit, it is our top priority in all of our operations. As such, we will include a report of our employee safety outcomes in each annual benefit corporation report.



2014 Hours and average employees inferred based on gross revenue ratio vs 2015.
(U.S. Meat Processing Average from: WORKPLACE SAFETY AND HEALTH Additional Data Needed to Address Continued Hazards in the Meat and Poultry Industry, April 2016, <http://www.gao.gov/assets/680/676909.pdf>, p. 76. Average per 100 employees for Total U.S. Manufacturing was 4.9.)



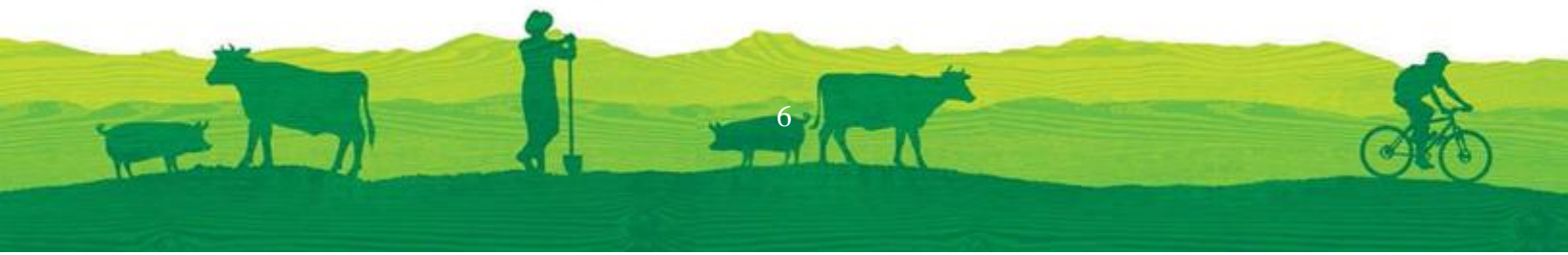


During the second half of 2016, in response to an increase in injuries, Vermont Smoke & Cure rolled out an intensive, comprehensive and participatory work safety program for all production area staff. As a result of the implementation of heightened safety programming and related training, Vermont Smoke & Cure closed the year with an injury-free streak of greater than 100 days. We continue to develop and implement robust training programs and policies concerning worker conduct, equipment operation, and environmental controls, and strive for continuous improvement in these areas.

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.

During 2016, the Company continued to offer a full and comprehensive suite of employee benefits, which include medical, dental, vision, and Employee Assistant Programs (EAP). Three additional voluntary insurance programs were offered to employees, including Voluntary Life, Accident, and Critical Illness. Each of these benefits and programs are offered in a professional manufacturing environment and focused intensely on employee safety in which all functions of the business strive to meet the highest standards in work place satisfaction and worker productivity. In addition, during 2016, the Company for the first time offered subsidized



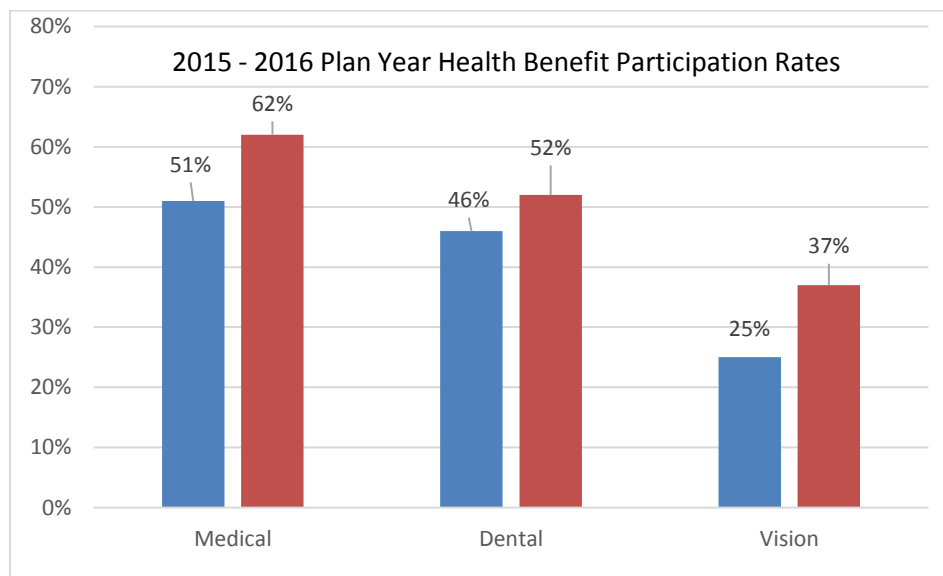


shares in a community supported agriculture (CSA) program from a nearby farm to employees earning under \$20.00 per hour and a payroll deduction option for all employees for CSA shares.

Health Insurance

Based upon employee eligibility (*i.e.*, “full time employees”, defined as 30 weekly hours or more), the Company’s 2016 health and wellness program participation rates are as follows:

2016 Health Plan Participation Rates



Vermont Smoke & Cure continued to offer an Open Access High Deductible Medical Plan with Health Reimbursement Arrangement (HRA) combination, which has been





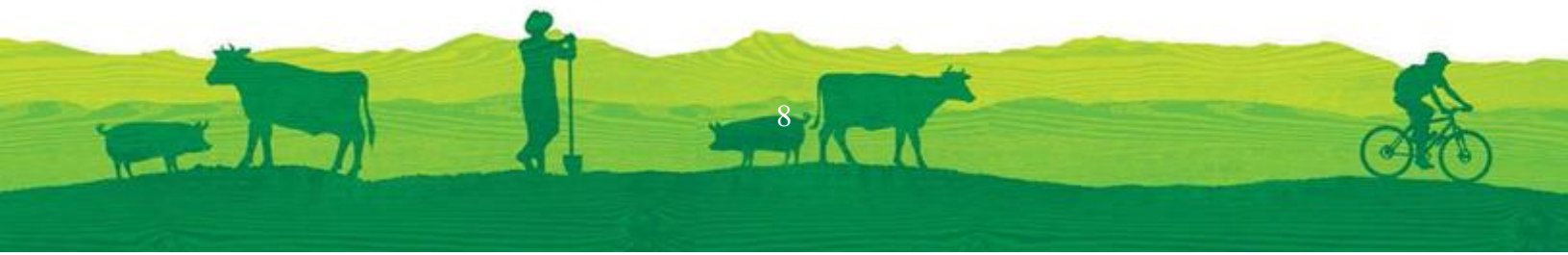
administered by CIGNA and implements a progressive cost sharing program whereby lower income participants have a lower monthly cost than higher income participants.

The Company's 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, copay percentage, and waiting periods. VSP Vision Care provides low out-of-pocket costs, high quality vision care options, choice of providers, and discount eyewear benefits.

Company Ownership

The Company continues to issue stock option awards to each of its full-time employees under the terms of its Employee Stock Option Plan (the "Plan"). Under the Plan, we expect that all of our full-time employees will become holders of stock options within 6 months after the completion of a defined probationary period. Our culture of ownership and accountability incentivizes our team of employee-owners to understand and appreciate the high degree of importance and value ascribed to every function of our business operations. Our production line workers, officer personnel, marketing, sales, finance, and operations teams, together with our executive leadership group, all have been granted the opportunity to own a direct interest in our enterprise through options issued under the Plan, uniting and aligning our entire team to drive the business forward under a common purpose for the benefit of all of members.

Currently, 100% of our employees have been granted options and have a direct stake in the enterprise value of the business.

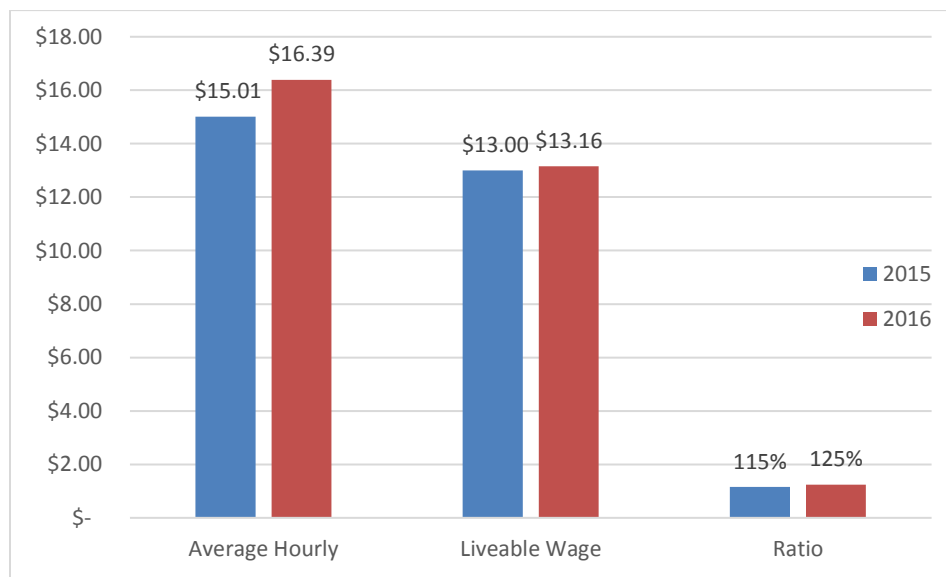




Livable Wage

During 2016, Vermont Smoke & Cure continued to pay wages above the Vermont living wage (determined in 2016 by the Vermont Legislative Joint Fiscal Office) of \$13.16 per hour for all employees post initial training period. Production employees can take up to 6 months to reach the “trained, operator” base rate of \$13.77/hr. The average rate of pay for production employees in 2016 was \$16.39 per hour. The average rate of pay for production employees in 2015 was \$15.01 per hour.

Production Employees Wage Comparison to Liveable Wage Standard



Our Community Connection

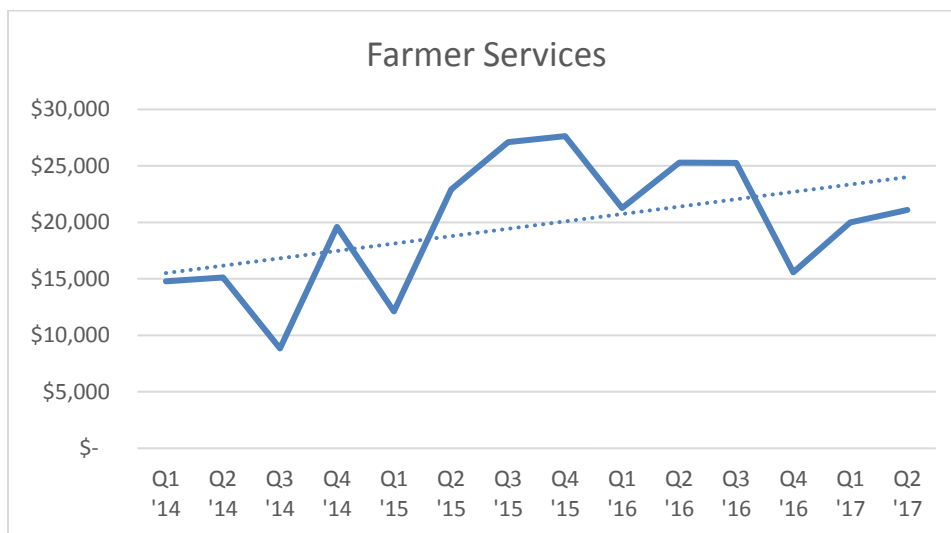
Mission: Vermont Smoke & Cure is committed to creating economic opportunities and promoting family-scale farms in Vermont and its surrounding region by offering commercial



meat processing services to farmers at competitive prices.

Vermont Smoke & Cure provides state-of-the-art processing services to small and family-scale farms in Vermont and nearby states, enabling them to participate and compete in local and regional markets for their products. Because the availability of these types of processing services is limited for these producers (especially for capital-intensive items such as smoked meat snack sticks), our available meat processing services permit these small-scale farms to develop, market, and sell top-quality products that are manufactured to the highest standards, and individually branded and packaged in a way that allows them to be competitive in broader markets and retail locations.

The Company has experienced a slight decline in processing services in the closing quarter of 2016, but continues to offer such services to existing, former, and potential purchasers to support local farmers as they work to develop a local and regional marketplace for their products.



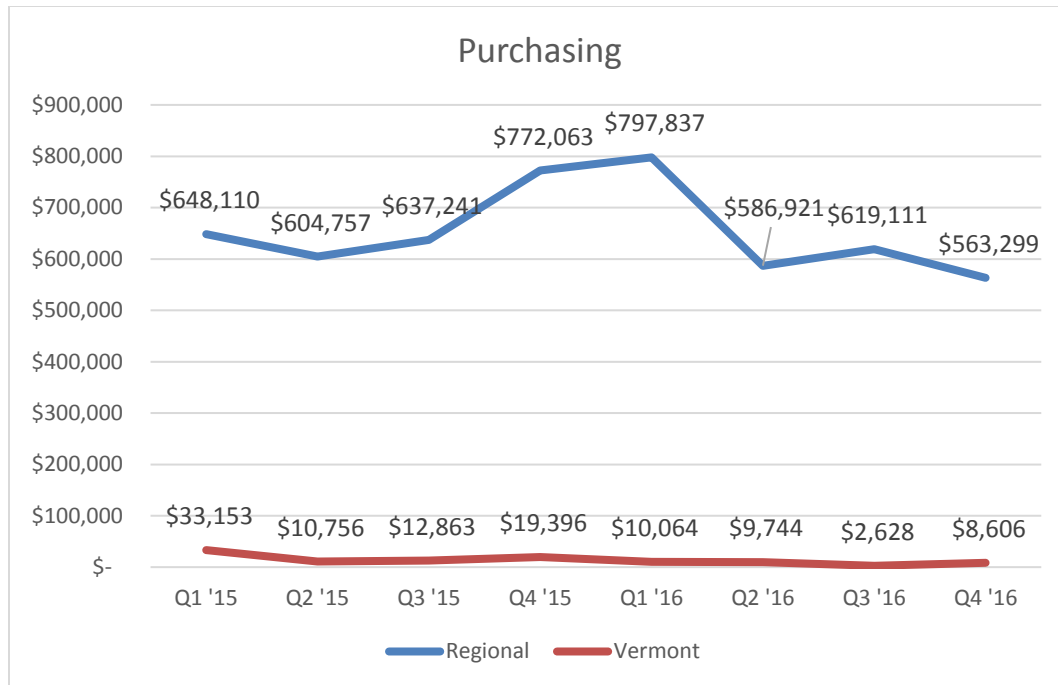


Vermont Smoke & Cure Farmer program provided services to more than 25 local farms providing fresh meat & sticks products to farmers markets throughout the region. Several farms began retail sales of their items in regional customer channels.

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 high quality ingredients grown and processed locally and regionally. The Company increased the scope of regionally and locally sourced ingredients for its products in 2016. The Company purchased seven individual ingredients for its product portfolio (beef, pork, cheese, maple syrup, maple sugar, apple cider, and honey) from ten different regional and local farms or aggregators, including duBreton, Pineland Farms, Champlain Orchards, Cold Hollow Cider, Citizen Cider, Sweet Retreat, Butternut Mountain Farm, Cellars at Jasper Hill, Another Farm, and Champlain Valley Apiaries. A change in the overall finished product mix within the Company's portfolio led to a reduction in the purchase volume of some of these ingredients. However, the Company continues to explore new sources, ingredients, and potential vendors to fill its future needs.





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

Vermont Smoke & Cure has continued to invest in its Hinesburg, VT facility and infrastructure with the following 2016 initiatives:

- The Company began evaluating high-speed, modernized packaging equipment and machinery now scheduled to be purchased in 2017.
- The Company completed the installation of a new generator to ensure backup capability for the refrigeration and computer systems as a key protective measure to ensure the





integrity of our inventory and supply chain systems as well as operational data and capabilities.

- The Company redesigned and reprogrammed its refrigeration system to improve chilling and storage operation for its products.
- The Company invested capital into an auto-chiller system to reduce water consumption during chilling and production operations.

Further, the Company shifted to a condensed manufacturing work schedule of 4 days per week and 10 hours per day to build the shift structure for its production lines to support a 24 hour/7 day schedule. This also benefited employees by providing better work/life balance. This initiative also reduces commuting needs and commitments by 20% across our manufacturing workforce, which has a favorable impact on carbon emissions.

Our Product Standards

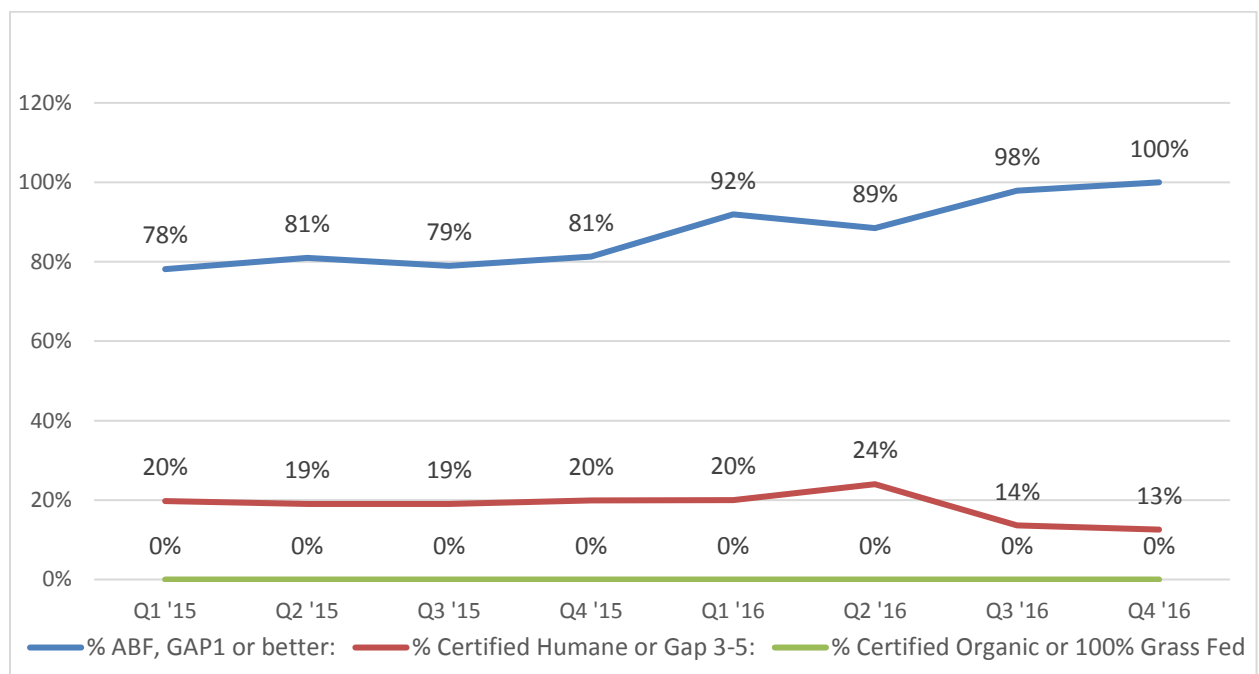
Mission: Vermont Smoke & Cure strives to promote consumer awareness concerning the importance and advantages of buying meats (a) that are healthier for human consumption, (b) produced using humane practices, (c) that support and are financially viable for local and regional family-scale farmers and (d)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

Vermont Smoke & Cure continues to implement this fundamental product philosophy through a commitment to sourcing meats raised without antibiotics or added hormones, and containing other high quality, natural ingredients so that we can offer consumers healthier and





better alternatives to leading competitive products in our categories. Vermont Smoke & Cure actively seeks to purchase meats raised and certified by either the Global Animal Partnership® or the Humane Farm Animal Care® (“HFAC”) certification programs; each an independent, third-party organization that performs on-site audits on farms, slaughter facilities and further processing plants. The Company continues to seek opportunities to increase the purchase of meats procured for its products rated under the Global Animal Protocol (“GAP”) as GAP1 or higher. In 2016, the Company achieved its defined goal of procuring all of the meat for our products raised without antibiotics, vegetarian fed, raised without added hormones.



The total percentage of sales relating to Certified Humane or GAP 3-5 fell during the third and fourth quarters of 2016 due primarily to a shift in the Company’s product portfolio and





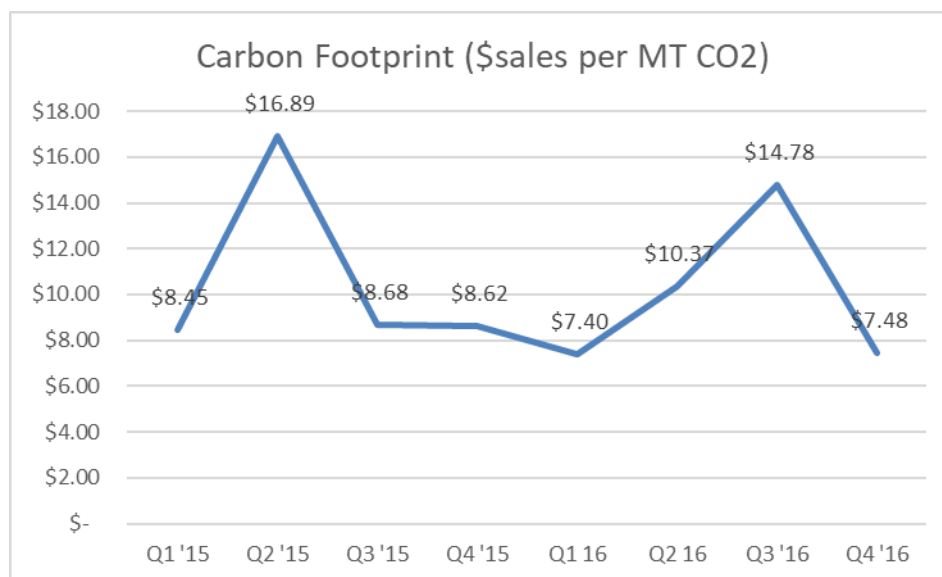
resulting product sales towards meat sticks. The Company's regional suppliers for these items do not offer meats certified above GAP1.

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

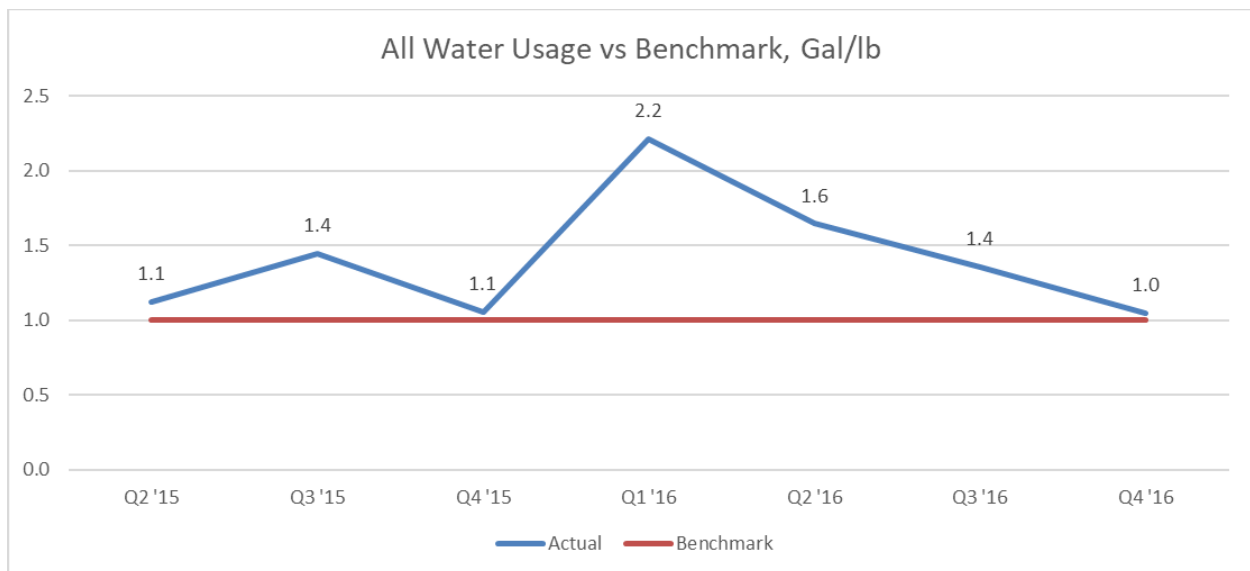
More than 60% of electric power used by the Company during 2016 came from solar power generated in Vermont, all within sixty miles of our facility. All renewable energy credits (REC's) are retired with the Company's purchase of this solar power. The Company uses high-efficiency smokers that further reduce our energy requirements by more than 10% compared to conventional equipment. As production volume grows subsequent to the 2015 expansion of refrigerated space, the Company expects that the dollar sales per metric ton (MT) CO₂ ratio will continue to improve.

Water

In late 2015, the Company completed an aggressive expansion of its manufacturing facility, which nearly doubled its processing space, and expanded the demand and



implementation of our cleaning, maintenance, and sanitation procedures. This drove up demand for water usage per measure of processing volume in early 2016. Water usage per square foot of processing by the Company dropped consistently throughout 2016 through the implementation of effective conservation, renewal, and efficiency programs, as the Company moves rapidly toward achieving its defined benchmark standard.



Packaging, Recyclable Materials and Solid Waste

After the completion of the production capabilities in 2015, the Company was able to track the baseline metrics of solid waste and material consumption utilized throughout our operations in 2016. These metrics are the initial standard by which we will measure improvement and efficiency targets. Currently, these annual baseline metrics concerning waste management and recycling are as follows:.

- Revenue \$ per lb. of solid waste: \$72.96
- Packaging mass per \$ revenue: .019 lb.





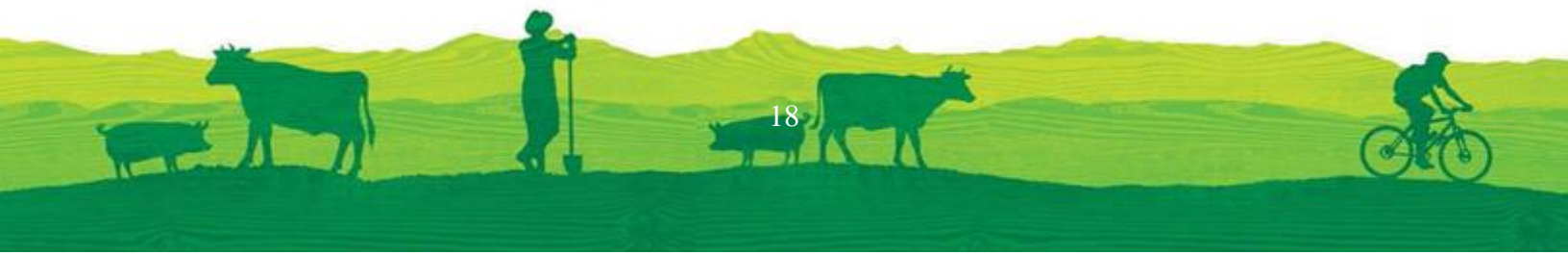
- % of packaging mass that is >30% recycled content: 68%
- % of packaging mass that is recyclable: 73%

2017 Goals

Vermont Smoke & Cure takes pride in creating demonstrable benefits for our community, employees, and the environment. Our leadership team, board of directors, and team of employee-owners are committed to creating value for shareholders while making a positive impact on the commercial landscape and society as a whole. Guided by these principles, Vermont Smoke & Cure works to achieve the following goals in 2017 and beyond:

- Continue to ensure 100% employee ownership in the business.
- Continue to ensure 100% of employees are at or above earning a living wage.
- Continue to provide and expand our offerings with regard to a comprehensive benefits program for all employees including Medical, Dental & Vision.
- Continue to process meats as a service for local and regional farmers for all items that are produced by the Company.
- Continue to explore and expand our procurement of ingredients from regional and local suppliers where feasible.
- Achieve and maintain water usage below benchmark of 1.0 gal/lb.
- Continue to understand, analyze, and improve the Company's energy and water usage and implement comprehensive program to drive reduction and efficiencies.

We look forward to reporting our progress next year.





Company Contact Information

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