

CONSOLIDATED FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT
AND CONSOLIDATING SUPPLEMENTAL INFORMATION
LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.
AND SUBSIDIARY
DECEMBER 30, 2017 AND DECEMBER 31, 2016

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

DECEMBER 30, 2017 AND DECEMBER 31, 2016

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Independent Auditor's Report

To the Members and
Board of Directors of
Littleton Consumer Cooperative Society, Inc. and Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Littleton Consumer Cooperative Society, Inc., and Subsidiary (collectively, the "Cooperative") which comprise the consolidated balance sheets as of December 30, 2017 and December 31, 2016, and the related consolidated statements of operations, members' equity and cash flows for the fifty-two week periods then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Cooperative as of December 30, 2017 and December 31, 2016, and the consolidated results of its operations and its cash flows for the fifty-two week periods then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The accompanying consolidating balance sheet as of December 30, 2017, and the related consolidating statements of operations and cash flows for the fifty-two week period then ended, are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Gallagher, Flynn & Company, LLP

March 26, 2018

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 30, 2017 AND DECEMBER 31, 2016

A S S E T S

	December 30, <u>2017</u>	December 31, <u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 579,420	\$ 676,106
Restricted cash, current portion	-	807,336
Accounts receivable	64,001	57,219
Inventories	689,665	472,343
Prepaid expenses and other current assets	23,894	23,716
Deferred income taxes	<u>36,900</u>	<u>25,100</u>
Total current assets	<u>1,393,880</u>	<u>2,061,820</u>
 PROPERTY AND EQUIPMENT, at cost		
Land and improvements	1,348,466	1,348,466
Buildings and improvements	4,774,784	1,598,672
Machinery and equipment	<u>1,486,661</u>	<u>1,028,244</u>
	7,609,911	3,975,382
Less accumulated depreciation	<u>1,480,351</u>	<u>1,320,207</u>
	6,129,560	2,655,175
Construction in progress	<u>-</u>	<u>1,844,557</u>
	<u>6,129,560</u>	<u>4,499,732</u>
 OTHER ASSETS		
Restricted cash, less current portion	196,466	2,052,035
Note receivable	4,722,800	4,722,800
Investments in other cooperative associations	243,177	223,766
Other	<u>51,425</u>	<u>24,609</u>
	<u>5,213,868</u>	<u>7,023,210</u>
	<u>\$ 12,737,308</u>	<u>\$ 13,584,762</u>

The accompanying notes are an integral part of these statements.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 30, 2017 AND DECEMBER 31, 2016

LIABILITIES AND MEMBERS' EQUITY

	December 30, <u>2017</u>	December 31, <u>2016</u>
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 108,322	\$ 103,880
Accounts payable		
Trade	335,338	256,974
Construction-related	-	807,336
Accrued expenses and other current liabilities	<u>278,344</u>	<u>227,021</u>
Total current liabilities	<u>722,004</u>	<u>1,395,211</u>
LONG-TERM DEBT, less current maturities	<u>11,196,977</u>	<u>11,268,273</u>
DEFERRED INCOME TAXES	<u>84,900</u>	<u>182,400</u>
MEMBERS' EQUITY		
Members' shares	399,375	369,525
Donated capital	2,340	2,340
Retained earnings	<u>316,368</u>	<u>346,941</u>
	718,083	718,806
Noncontrolling interest in subsidiary	<u>15,344</u>	<u>20,072</u>
	<u>733,427</u>	<u>738,878</u>
	<u>\$ 12,737,308</u>	<u>\$ 13,584,762</u>

The accompanying notes are an integral part of these statements.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

**FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 30, 2017 AND DECEMBER 31, 2016**

	December 30, <u>2017</u>	December 31, <u>2016</u>
NET SALES	\$ 11,253,575	\$ 10,104,458
COST OF SALES	<u>7,564,724</u>	<u>6,760,369</u>
GROSS PROFIT	3,688,851	3,344,089
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>3,597,693</u>	<u>3,031,563</u>
EARNINGS FROM OPERATIONS	<u>91,158</u>	<u>312,526</u>
OTHER (INCOME) EXPENSES		
Interest expense	415,008	247,171
Interest income	(133,213)	(22,078)
Patronage income	(36,562)	(35,925)
Other, net	<u>(9,474)</u>	<u>(6,363)</u>
	<u>235,759</u>	<u>182,805</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	(144,601)	129,721
PROVISION FOR (BENEFIT FROM) INCOME TAXES	<u>(109,300)</u>	<u>30,300</u>
NET EARNINGS (LOSS)	(35,301)	99,421
LESS: NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	<u>(4,728)</u>	<u>(1,668)</u>
NET EARNINGS (LOSS) ATTRIBUTABLE TO LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.	<u>\$ (30,573)</u>	<u>\$ 101,089</u>

The accompanying notes are an integral part of these statements.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

**FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 30, 2017 AND DECEMBER 31, 2016**

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.

	Members' Shares								
	Capital Stock		Share	Total	Donated	Retained	Total	Noncontrolling	Total
	Shares	Value	Credits		Capital	Earnings		interest	
BALANCE, January 2, 2016	12,259	\$ 306,475	\$ 39,975	\$ 346,450	\$ 2,340	\$ 245,852	\$ 594,642	\$ -	\$ 594,642
Capital contribution	-	-	-	-	-	-	-	21,740	21,740
Net earnings	-	-	-	-	-	101,089	101,089	(1,668)	99,421
Shares issued, net of cancellations	924	23,100	(25)	23,075	-	-	23,075	-	23,075
BALANCE, December 31, 2016	13,183	329,575	39,950	369,525	2,340	346,941	718,806	20,072	738,878
Net loss	-	-	-	-	-	(30,573)	(30,573)	(4,728)	(35,301)
Shares issued, net of cancellations	1,194	29,850	-	29,850	-	-	29,850	-	29,850
BALANCE, December 30, 2017	<u>14,377</u>	<u>\$ 359,425</u>	<u>\$ 39,950</u>	<u>\$ 399,375</u>	<u>\$ 2,340</u>	<u>\$ 316,368</u>	<u>\$ 718,083</u>	<u>\$ 15,344</u>	<u>\$ 733,427</u>

The accompanying notes are an integral part of these statements.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

**FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 30, 2017 AND DECEMBER 31, 2016**

	December 30,	December 31,
	<u>2017</u>	<u>2016</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss)	\$ (35,301)	\$ 99,421
Noncash items included in net earnings (loss):		
Amortization of debt issuance costs included in interest expense	43,810	64,498
Depreciation expense	186,223	144,070
Patronage investments in cooperatives received	(16,426)	(16,118)
Deferred income taxes	(109,300)	30,300
Changes in assets and liabilities:		
Accounts receivable	(6,782)	(5,837)
Inventories	(217,322)	(26,815)
Prepaid expenses and other current assets	(178)	(11,491)
Accounts payable	78,364	(16,013)
Accrued expenses and other current liabilities	51,323	62,718
	<u>9,712</u>	<u>225,312</u>
Net cash provided by (used in) operating activities	<u>(25,589)</u>	<u>324,733</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,816,051)	(1,749,482)
Restricted cash	2,662,905	(2,859,371)
Issuance of note receivable	-	(4,722,800)
Purchases of investments in cooperatives	(2,985)	(4,199)
Other assets	(26,816)	(4,362)
	<u>817,053</u>	<u>(9,340,214)</u>
Net cash provided by (used in) investing activities		
Subtotal (forward)	<u>\$ 791,464</u>	<u>\$ (9,015,481)</u>

(CONTINUED)

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

**FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 30, 2017 AND DECEMBER 31, 2016**

	December 30, <u>2017</u>	December 31, <u>2016</u>
Subtotal (forwarded)	\$ 791,464	\$ (9,015,481)
CASH FLOWS FROM FINANCING ACTIVITIES		
Accounts payable - construction-related	(807,336)	807,336
Proceeds from long-term borrowings	-	11,540,000
Principal payments on long-term borrowings	(105,414)	(2,745,094)
Deferred financing costs	(5,250)	(367,571)
Capital contribution	-	21,740
Proceeds from issuance of capital stock, net	<u>29,850</u>	<u>23,075</u>
Net cash provided by (used in) financing activities	<u>(888,150)</u>	<u>9,279,486</u>
Net increase (decrease) in cash and cash equivalents	(96,686)	264,005
CASH AND CASH EQUIVALENTS, beginning of period	<u>676,106</u>	<u>412,101</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 579,420</u>	<u>\$ 676,106</u>
<u>Supplemental Disclosures of Cash Flows Information</u>		
Cash paid during the period for:		
Interest expense	<u>\$ 373,829</u>	<u>\$ 170,629</u>
Income taxes	<u>\$ -</u>	<u>\$ 568</u>

The accompanying notes are an integral part of these statements.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 30, 2017 AND DECEMBER 31, 2016

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES

Operations:

The Littleton Consumer Cooperative Society, Inc. (Littleton Consumer Cooperative), was incorporated in New Hampshire in 2006, and operates a member-owned food store in Littleton, New Hampshire, open to its members and the general public. Sales to members were approximately 67% and 68% of total sales for the periods ending December 30, 2017 and December 31, 2016.

The Littleton Food Market, LLC (Littleton Food Market) was formed in August 2016. During 2016, Littleton Consumer Cooperative acquired a 95% interest in Littleton Food Market. Thereafter, the Littleton Consumer Cooperative and Littleton Food Market entered into agreements with unrelated parties to facilitate financing for the expansion of Littleton Consumer Cooperative's food store (Notes B and D). Construction of the facility expansion commenced in July 2016 and was completed June 2017.

Accounting policies:

A summary of the Cooperative's significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

1. Principles of consolidation

The consolidated financial statements include the accounts of the Littleton Consumer Cooperative Society, Inc. and its majority owned subsidiary, Littleton Food Market, LLC (collectively, the "Cooperative"). All material intercompany transactions have been eliminated.

2. Fiscal year end

The Cooperative's fiscal year ends on the Saturday nearest to December 31. The fiscal periods ended December 30, 2017 and December 31, 2016 included fifty-two weeks.

3. Cash and cash equivalents

For purpose of the statement of cash flows, the Cooperative considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

4. Restricted cash

Restricted cash represents amounts which are restricted for use and are required to be reserved in three funds pursuant to agreements between Littleton Consumer Cooperative and MCD Subsidiary CDE 3, LLC (MCD).

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 30, 2017 AND DECEMBER 31, 2016

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

4. Restricted cash (continued)

The disbursement account includes proceeds received from long-term debt (see Note D), which were borrowed under long-term debt agreements, are pledged as collateral for the related long-term debt, and are available to fund future qualifying construction costs. The debt service reserve requires a minimum balance of \$37,250 and the distribution reserve requires a monthly deposit of \$14,150 with all disbursements made at the discretion of MCD in accordance with the agreement.

5. Accounts receivable

Accounts receivable consists primarily of patronage refund amounts expected to be received as a result of membership in cooperatives (see Note C). Management considers the following factors when determining the collectability of these receivables: financial condition of the related cooperative, past transaction history, current economic industry trends, and changes in inventory purchases. If the financial condition of the cooperatives, in which the Cooperative is invested, was to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Cooperative provides for estimated uncollectible amounts through a charge to operations and a credit to a valuation allowance. At December 30, 2017 and December 31, 2016, no allowance was required.

6. Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the retail method, which approximates actual cost.

7. Property and equipment

Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The straight-line method of depreciation is followed for substantially all assets for financial reporting purposes, but accelerated methods are used for tax purposes.

8. Impairment of long-lived assets

Long-lived assets, such as property and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows. An impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairment loss was required to be recognized in the periods ended December 30, 2017 and December 31, 2016.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 30, 2017 AND DECEMBER 31, 2016

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

9. Investment in other cooperative associations

Nonmarketable investments in cooperative associations are carried at cost and are evaluated for impairment annually to adjust the investments to their net realizable value. No impairment loss was required to be recognized in the periods ended December 30, 2017 and December 31, 2016.

10. Income taxes

Items of income and expense recognized by Littleton Food Market, LLC are passed through and taxable entirely to the members under the terms of the operating agreement and federal income tax regulations.

Temporary differences giving rise to deferred income taxes for Littleton Consumer Cooperative consist primarily of the excess of depreciation for tax purposes over the amount for financial reporting purposes, accrued compensation, net operating losses, and certain expenses, which are reported differently for financial reporting and tax purposes.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the consolidated statements of operations.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 30, 2017 AND DECEMBER 31, 2016

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

11. Advertising expenses

Advertising costs are charged to operations when incurred. Advertising expenses charged to operations were approximately \$63,900 and \$41,700 for the periods ended December 30, 2017 and December 31, 2016.

12. Deferred financing costs

Loan commitment fees and related legal expenses are amortized over the term of the related financing arrangement on a straight-line basis, which approximates the effective interest method. Deferring financing costs are presented as a direct deduction from the carrying amount of the related debt liability in the consolidated balance sheets and related amortization as interest in the consolidation statements of operations. Interest expense related to the deferred financing costs was \$43,810 during the fifty-two week period ended December 30, 2017 and \$64,498 during the fifty-two week period ended December 31, 2016.

13. Use of estimates

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

14. Evaluation of subsequent events

In preparing these consolidated financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through March 26, 2018, the date the consolidated financial statements were available to be issued.

15. New accounting pronouncements

The Cooperative is currently evaluating the impact of adopting the following recently issued accounting pronouncements:

Balance sheet classification of deferred taxes

In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. Per the ASU, deferred income tax assets and liabilities will no longer be separated into current and noncurrent amounts in a classified balance sheet. The recognition and measurement guidance for deferred income taxes are not affected by the new guidance. This ASU is effective for years beginning after December 15, 2017, and may be implemented on a prospective or retrospective basis.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 30, 2017 AND DECEMBER 31, 2016

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

15. New accounting pronouncements (continued)

Restricted cash

In December 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (a consensus of the FASB Emerging Issues Task Force). This ASU clarifies that the statement of cash flows should include restricted cash with cash and cash equivalents in the reconciliation of the beginning of period and end of period amounts shown on the statement of cash flows. This ASU is effective for years beginning after December 15, 2018.

Revenue recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. generally accepted accounting principles. The revenue recognition policies of almost all entities will be affected by the new guidance in the ASU. The degree to which an entity's revenue recognition policies will change upon the adoption of the ASU, and the effects the changes will have on the entity's financial statements will vary depending on the nature and terms of the entity's revenue-generating transactions. In addition, entities in some industries likely will be affected by the new guidance in the ASU more than entities in other industries. Given the broad applicability and potentially significant ramifications of the guidance in the ASU, the FASB provided significantly delayed effective dates for its guidance. The ASU is effective for fiscal years beginning after December 15, 2018.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 *Leases (Topic 842)*. This ASU was issued in three parts: (a) Section A, Leases: Amendments to the FASB *Accounting Standards Codification*, (b) Section B, Conforming Amendments Related to Leases: Amendments to the FASB *Accounting Standards Codification*, and (c) Section C, Background Information and Basis for Conclusions. While both lessees and lessors are affected by the new guidance which includes many changes, the effects on lessees are much more significant. The most significant change for lessees is the requirement to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases, affecting leases which previously were accounted for as operating leases. This ASU is effective for years beginning after December 15, 2019, and must be implemented using a modified retrospective approach.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 30, 2017 AND DECEMBER 31, 2016

B) NOTE RECEIVABLE

During 2016, Littleton Food Market used the proceeds of long-term debt (Note D) to loan \$4,720,800 to Twain Investment Fund 185, LLC (“Twain”, a wholly-owned subsidiary of US Bancorp Community Development Corporation). The note is receivable with monthly interest only payments at an effective annual interest rate of 2.76%, due September 2023. The note is secured by Twain’s membership interest in MCD Subsidiary CDE3, LLC (see Note D).

The Littleton Food Market has entered into a put and call option agreement allowing US Bancorp Community Development Corporation to put their interest in Twain to Littleton Food Market at a price of \$1,000. The put option period is six months commencing October 1, 2023. The Littleton Food Market then has a call option which is the six months following the expiration of the put option period. During the call option period, the Littleton Food Market can call the investment in Twain at a price equal to the fair market value of Twain.

C) INVESTMENTS IN OTHER COOPERATIVE ASSOCIATIONS

The investments in other cooperative associations are nonmarketable investments, which consist of the following at:

	December 30, <u>2017</u>	December 31, <u>2016</u>
Associated Grocers of New England, Inc. (AG):		
AG is a consumer goods membership cooperative that provides members with discounted purchase pricing and annual patronage rebates in cash, certificates of indebtedness and patronage shares. Members initially purchase one share of Class A stock at \$5,000 and purchase additional shares of Class B stock annually based on total merchandise purchases. Class A and B stock are eligible to pay cash dividends and are redeemable in the event that the Cooperative terminates membership, as defined. The Cooperative owns one share of Class A stock at December 30, 2017 and December 31, 2016. The Cooperative owns 1,006 shares at December 30, 2017 and 973 shares of Class B stock at December 31, 2016.	<u>\$ 202,916</u>	<u>\$ 195,630</u>
Subtotal (forward)	<u>\$ 202,916</u>	<u>\$ 195,630</u>

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 30, 2017 AND DECEMBER 31, 2016

C) INVESTMENTS IN OTHER COOPERATIVE ASSOCIATIONS (continued)

	December 30, <u>2017</u>	December 31, <u>2016</u>
Subtotal (forwarded)	\$ 202,916	\$ 195,630
National Cooperative Grocers (NCG):		
A business services cooperative that provides members with annual patronage rebates in cash and patronage shares. Members initially purchase one share of voting stock at \$500 and maintain a base equity investment of 0.1% of annual purchases of inventory from NCG. Base equity investments are redeemable at the discretion of the NCG board of directors and eligible to receive cash dividends. At December 30, 2017 and December 31, 2016, the Cooperative owns one share of voting stock.	37,161	25,036
Other	<u>3,100</u>	<u>3,100</u>
	<u>\$ 243,177</u>	<u>\$ 223,766</u>

D) LONG-TERM DEBT

In October 2016, the Cooperative entered into numerous agreements in order to finance the expansion and renovation of Littleton Consumer Cooperative's operating facility in a manner that will provide new market tax credits to an unrelated qualified community development entity (CDE). Under the financing arrangements, Littleton Food Market borrowed \$4,300,000 from Mascoma Savings Bank and New Hampshire Community Loan Fund under long-term debt agreements and loaned the proceeds to Twain (see Note B). Twain used the proceeds from this loan to obtain a majority membership interest in MCD Subsidiary CDE 3, LLC (MCD). Subsequently, Littleton Consumer Cooperative borrowed \$6,700,000 from MCD to finance construction costs to renovate and expand its operating facility, purchase equipment for operations, refinance long-term debt from Woodsville Guaranty Savings Bank and Granite State Economic Development Corporation (GSEDC), finance the cost of acquiring long-term debt, and provide working capital for operations.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 30, 2017 AND DECEMBER 31, 2016

D) LONG-TERM DEBT (continued)

Long-term debt consists of the following at:

	December 30, <u>2017</u>	December 31, <u>2016</u>
<i>Littleton Consumer Cooperative</i>		
MCD Subsidiary CDE 3, LLC (MCD, a subsidiary of Twain, see Note B) –		
These notes are secured by substantially all assets of Littleton Consumer Cooperative. Provisions of the loan agreements include, among other things, maintenance of a debt service coverage ratio, which will be enforced upon completion of the construction.		
Three notes payable with monthly interest-only payments at 2.46%, due September 2024. The balance is presented net of deferred financing costs of \$162,417 at December 30, 2017 and \$186,737 at December 31, 2016.	\$ 4,558,383	\$ 4,534,064
Note payable with monthly interest-only payments at 2.46%, due September 2051. The balance is presented net of deferred financing costs of \$78,336 at December 30, 2017 and \$79,112 at December 31, 2016.	1,864,865	1,864,088
Revolving Loan Fund, administered by the Grafton Regional Development Corporation (GRDC) (formerly Grafton County Economic Development Council, Inc.) - Payable in annual maximum installments of \$15,000 contingent upon excess cash flows as defined in the Revolving Loan Fund agreement. Noninterest bearing and unsecured.	<u>190,000</u>	<u>205,000</u>
Subtotal (forward)	<u>\$ 6,613,248</u>	<u>\$ 6,603,152</u>

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 30, 2017 AND DECEMBER 31, 2016

D) LONG-TERM DEBT (continued)

	December 30, <u>2017</u>	December 31, <u>2016</u>
Subtotal (forwarded)	\$ 6,613,248	\$ 6,603,152
Related parties –		
Unsecured agreements with multiple Littleton Consumer Cooperative members, payable in four annual installments commencing in February 2019, aggregating to approximately \$144,000, plus interest ranging from 0% to 4.5%, due through July 2022. Subordinated to notes payable to Mascoma, New Hampshire Community Loan Fund, and MCD.	<u>576,000</u>	<u>576,000</u>
Total Littleton Consumer Cooperative	<u>7,189,248</u>	<u>7,179,152</u>
<i>Littleton Food Market</i>		
Mascoma Savings Bank –		
Payable in monthly installments of \$18,624, including interest at 4.65%, with a final balloon payment of approximately \$2,716,000 due January 2024. Secured by a security interest in substantially all assets of Littleton Food Market. The balance is presented net of deferred financing costs of \$46,821 at December 30, 2017 and \$54,964 at December 31, 2016.	3,169,406	3,233,339
New Hampshire Community Loan Fund (NHCLF) –		
Payable in monthly installments of \$6,382, including interest at 5.90%, with a final balloon payment of approximately \$846,000 due January 2024. Secured by assignment of security interests in note receivable to Twain, Twain’s investment in MCD, and an unrelated party (investor in Twain). The balance is presented net of deferred financing costs of \$30,598 at December 30, 2017 and \$35,920 at December 31, 2016.	<u>946,645</u>	<u>959,662</u>
Total Littleton Food Market	<u>4,116,051</u>	<u>4,193,001</u>
	11,305,299	11,372,153
Principal payments due within one year	<u>108,322</u>	<u>103,880</u>
	<u>\$11,196,977</u>	<u>\$11,268,273</u>

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 30, 2017 AND DECEMBER 31, 2016

D) LONG-TERM DEBT (continued)

Prior to the aforementioned October 2016 refinancing of the GSEDC long-term debt, the Cooperative incurred monthly loan servicing fees payable to the United States Small Business Administration (“SBA”) on the outstanding GSEDC long-term debt at a fixed amount equal to 1.83% of the outstanding balance of the note as determined at the beginning of each five-year interval of the note. Fees charged to operations were approximately \$0 and \$46,000 during the periods ended December 30, 2017 and December 31, 2016, respectively.

As of December 30, 2017, long-term debt matures as follows:

Fiscal Periods Ending on or Around <u>December 31,</u>	<u>Amount</u>
2018	\$ 108,322
2019	243,654
2020	248,657
2021	253,915
2022	259,439
Thereafter	<u>10,509,484</u>
	11,623,471
Deferred financing costs	<u>(318,172)</u>
	<u><u>\$11,305,299</u></u>

E) INCOME TAXES

The provision for (benefit from) income taxes consists of the following for the periods ended:

	<u>December 30,</u>	<u>December 31,</u>
	<u>2017</u>	<u>2016</u>
Currently payable, net of tax benefit of net operating loss carryforward of \$0 in the period ended December 30, 2017 and \$59,000 in the period ended December 31, 2016	\$ -	\$ -
Deferred	<u>(109,300)</u>	<u>30,300</u>
	<u><u>\$ (109,300)</u></u>	<u><u>\$ 30,300</u></u>

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 30, 2017 AND DECEMBER 31, 2016

E) INCOME TAXES (continued)

Deferred tax assets and liabilities consist of the following at:

	December 30, <u>2017</u>	December 31, <u>2016</u>
Deferred tax assets:		
Accrued expenses	\$ 10,200	\$ 25,100
Net operating loss carryforwards	132,600	117,500
Other	<u>45,200</u>	<u>6,200</u>
	<u>\$ 188,000</u>	<u>\$ 148,800</u>
Deferred tax liabilities:		
Depreciation	\$ 227,600	\$ 292,500
Accrued patronage refund receivable	<u>8,400</u>	<u>13,600</u>
	<u>\$ 236,000</u>	<u>\$ 306,100</u>

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act. Effects of tax law changes are accounted for in the period of enactment and deferred tax assets and liabilities are required to be adjusted to reflect the effect of a change in enacted tax rates in the period in which the law is enacted. The U.S federal corporate tax rate was reduced to 21%, which will be effective as of January 1, 2018. The impact of applying the new tax rate to deferred taxes is reflected in 2017 as a deferred tax benefit of approximately \$42,400. The impact of other tax law changes is not expected to have a material impact on the Company.

At December 30, 2017, the Cooperative has approximately \$631,600 of net operating loss carryforwards available to reduce future federal taxable income, expiring through 2037.

The effective income tax rate in the fifty-two week period ended December 30, 2017 is higher than would be expected if the federal statutory rate was applied to earnings primarily because of the impact of the change in the federal tax rates. The effective income tax rate in the fifty-two week period ended December 31, 2016 is lower than the expected statutory rate as taxable income is lower than applicable at statutory rates.

The Cooperative files income tax returns in the U.S. federal jurisdiction and one state jurisdiction. With few exceptions, the Cooperative is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for fiscal periods before January 1, 2014.

During the periods ended December 30, 2017 and December 31, 2016, the Cooperative recognized no interest or penalties related to unrecognized tax benefits.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 30, 2017 AND DECEMBER 31, 2016

F) MEMBERS' EQUITY

Littleton Consumer Cooperative

The Cooperative's legal organization is determined by federal and state laws and by its By-Laws (pursuant to the revision adopted effective April 30, 2017) and Certificate of Organization.

Capital stock: The Certificate of Organization authorizes 40,000 shares of stock, \$25 par value. Dividends may be paid on share capital as determined by the board of directors (the Board). An individual or an organization is a member by holding shares of capital stock. A member that holds four or more shares of capital stock is a voting member, entitled to one vote at any meeting of the Cooperative. If a member elects to discontinue membership and request a refund, the Cooperative, at the discretion of the Board, may repurchase all shares from a member or approve the transfer of shares to a person or organization.

Reserve fund: The Cooperative has established a reserve fund, which is also known as "retained earnings." The amended By-Laws do not establish criteria related to the distribution of net earnings to the reserve fund, except for the distribution of profits generated from member-owners in the form of patronage refunds as noted below.

Prior to the amendment of the By-Laws, following the close of the fiscal year, net earnings were first used to replenish accumulated losses, if any. Then the Cooperative was to set aside in the reserve fund an annual allotment of not less than ten percent of the net earnings of the Cooperative for each year (if any) as well as other capital transactions as defined in the By-Laws.

Patronage refunds: According to the amended By-Laws, patronage refunds are determined at the discretion of the Board in accordance with applicable state and federal laws, and accounting principles generally accepted in the United States of America.

Prior to the amendment of the By-Laws, patronage refunds were determined at the discretion of the Board from net earnings that were not allocated to the reserve fund, non-cumulative dividends, and the education reserve. The patronage refund rate could not exceed the amount of net earnings before provision for income taxes allocable to members based upon the percentage of sales to members. Patronage refunds were calculated under a formula by applying the percentage of sales to members and non-member patrons to calculate member net earnings and non-member earnings (also known as "savings"). The Board could issue patronage refunds in the form of cash, certificates of indebtedness, credit toward purchases at the Cooperative, or up to 50% of the distribution could be provided in the form of credits towards the purchase of capital stock ("share credits"). Patronage refunds of less than \$10 were distributed in the form of merchandise certificates redeemable within the Cooperative. In addition, the Cooperative may have retained up to 5% of earnings to be allocated to an education reserve and also allocated amounts to the Reserve Fund as increases to retained earnings at the discretion of the Board to support general operations of the Cooperative.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 30, 2017 AND DECEMBER 31, 2016

F) MEMBERS' EQUITY (continued)

Littleton Consumer Cooperative (continued)

There were no patronage refunds declared for the periods ended December 30, 2017 and December 31, 2016.

Littleton Food Market

Littleton Food Market has authorized one class of membership interest. Income and loss from any fiscal year shall be generally allocated among members in proportion to their membership interest.

The Littleton Consumer Cooperative has entered into a put and call option agreement with NHBFA CDE, LLC (NHBFA), the holder of a 5% member equity interest in the Littleton Food Market, allowing NHBFA to put their interest in Littleton Food Market to the Littleton Consumer Cooperative at a price of approximately \$26,000. The put option period is for a six-week period beginning October 1, 2023 and ending on November 15, 2023. The Littleton Consumer Cooperative then has a call option for a period of sixty days following the expiration of the put option period. During the call option period, the Littleton Consumer Cooperative can call the investment in Littleton Food Market at a price equal to the fair market value of NHBFA's investment in the Littleton Food Market.

G) RETIREMENT PLAN

The Cooperative participates in a SIMPLE IRA plan (the Plan) that covers substantially all employees of the Cooperative. The Cooperative matches up to 3% of employees' wages based on employee contributions. Matching contributions to the Plan charged to operations were approximately \$37,100 and \$31,700 during the periods ended December 30, 2017 and December 31, 2016.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 30, 2017 AND DECEMBER 31, 2016

H) MAJOR SUPPLIERS

During the period ended December 30, 2017, the Cooperative purchased approximately \$5,623,000 (77% of total purchases) of its goods from an unrelated party and two related parties (AG and NCG, see Note C). At December 30, 2017, amounts due to these suppliers, included in accounts payable, totaled approximately \$225,900.

During the period ended December 31, 2016, the Cooperative purchased approximately \$4,792,000 (71% of total purchases) of its goods from an unrelated party and two related parties (AG and NCG, see Note C). At December 31, 2016, amounts due to these suppliers, included in accounts payable, totaled approximately \$184,100

I) RELATED PARTY TRANSACTIONS

The Cooperative is a member of AG (see Note C). The Cooperative purchased goods and groceries from AG of approximately \$2,974,000 and \$2,688,000 during the periods ended December 30, 2017 and December 31, 2016. Amounts due to AG, included in accounts payable, were approximately \$53,000 at December 30, 2017 and \$57,000 at December 31, 2016. Patronage refunds due from AG, included in accounts receivable, were \$28,000 at December 30, 2017 and December 31, 2016.

The Cooperative has loans with members of \$576,000 at December 30, 2017 and December 31, 2016, respectively (see Note D). Interest expense charged to operations for member loans was approximately \$22,000 and \$18,000 during the periods ended December 30, 2017 and December 31, 2016, respectively.

The Cooperative offers a 15% discount on purchases made by employees. Total gross sales to employees for the periods ended December 30, 2017 and December 31, 2016 were approximately \$418,200 and \$328,500, respectively. The discounts on these sales were included as reductions to gross sales in the consolidated statements of operations and approximated \$63,000 and \$49,000 for the periods ended December 30, 2017 and December 31, 2016, respectively.

CONSOLIDATING SUPPLEMENTAL INFORMATION

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET

DECEMBER 30, 2017

ASSETS

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 536,904	\$ 42,516	\$ -	\$ 579,420
Accounts receivable	64,001	-	-	64,001
Inventories	689,665	-	-	689,665
Prepaid expenses and other current assets	23,894	-	-	23,894
Deferred income taxes	36,900	-	-	36,900
Total current assets	<u>1,351,364</u>	<u>42,516</u>	<u>-</u>	<u>1,393,880</u>
PROPERTY AND EQUIPMENT, at cost				
Land and improvements	1,348,466	-	-	1,348,466
Buildings and improvements	4,774,784	-	-	4,774,784
Machinery and equipment	1,486,661	-	-	1,486,661
	<u>7,609,911</u>	<u>-</u>	<u>-</u>	<u>7,609,911</u>
Less accumulated depreciation	1,480,351	-	-	1,480,351
	<u>6,129,560</u>	<u>-</u>	<u>-</u>	<u>6,129,560</u>
OTHER ASSETS				
Restricted cash	196,466	-	-	196,466
Note receivable	2,000	4,720,800	-	4,722,800
Investments in other cooperative associations	243,177	-	-	243,177
Investment in subsidiary	328,460	-	(328,460)	-
Due from related party	292,500	-	(292,500)	-
Other	51,425	-	-	51,425
	<u>1,114,028</u>	<u>4,720,800</u>	<u>(620,960)</u>	<u>5,213,868</u>
	<u>\$ 8,594,952</u>	<u>\$ 4,763,316</u>	<u>\$ (620,960)</u>	<u>\$12,737,308</u>

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET

DECEMBER 30, 2017

LIABILITIES AND MEMBERS' EQUITY

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	<u>Eliminations</u>	<u>Total</u>
CURRENT LIABILITIES				
Current maturities of long-term debt	\$ 15,000	\$ 93,322	\$ -	\$ 108,322
Accounts payable - trade	335,338	-	-	335,338
Accrued expenses and other current liabilities	<u>267,383</u>	<u>10,961</u>	<u>-</u>	<u>278,344</u>
Total current liabilities	<u>617,721</u>	<u>104,283</u>	<u>-</u>	<u>722,004</u>
LONG-TERM DEBT, less current maturities	<u>7,174,248</u>	<u>4,022,729</u>	<u>-</u>	<u>11,196,977</u>
DUE TO RELATED PARTY	<u>-</u>	<u>292,500</u>	<u>(292,500)</u>	<u>-</u>
DEFERRED INCOME TAXES	<u>84,900</u>	<u>-</u>	<u>-</u>	<u>84,900</u>
MEMBERS' EQUITY				
Members' shares	399,375	-	-	399,375
Donated capital	2,340	-	-	2,340
Retained earnings	316,368	-	-	316,368
Members' equity	<u>-</u>	<u>343,804</u>	<u>(343,804)</u>	<u>-</u>
	718,083	343,804	(343,804)	718,083
Noncontrolling interest in subsidiary	<u>-</u>	<u>-</u>	<u>15,344</u>	<u>15,344</u>
	<u>718,083</u>	<u>343,804</u>	<u>(328,460)</u>	<u>733,427</u>
	<u>\$ 8,594,952</u>	<u>\$ 4,763,316</u>	<u>\$ (620,960)</u>	<u>\$12,737,308</u>

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF OPERATIONS

FIFTY-TWO WEEK PERIOD ENDING DECEMBER 30, 2017

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
NET SALES	\$11,253,575	\$ -	\$ -	\$11,253,575
COST OF SALES	<u>7,564,724</u>	<u>-</u>	<u>-</u>	<u>7,564,724</u>
GROSS PROFIT	3,688,851	-	-	3,688,851
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>3,595,719</u>	<u>1,974</u>	<u>-</u>	<u>3,597,693</u>
EARNINGS (LOSS) FROM OPERATIONS	<u>93,132</u>	<u>(1,974)</u>	<u>-</u>	<u>91,158</u>
OTHER (INCOME) EXPENSES				
Loss from investment in subsidiary	89,838	-	(89,838)	-
Interest expense	192,122	222,886	-	415,008
Interest income	(2,919)	(130,294)	-	(133,213)
Patronage income	(36,562)	-	-	(36,562)
Other, net	<u>(9,474)</u>	<u>-</u>	<u>-</u>	<u>(9,474)</u>
	<u>233,005</u>	<u>92,592</u>	<u>(89,838)</u>	<u>235,759</u>
LOSS BEFORE INCOME TAXES	(139,873)	(94,566)	89,838	(144,601)
BENEFIT FROM INCOME TAXES	<u>(109,300)</u>	<u>-</u>	<u>-</u>	<u>(109,300)</u>
NET LOSS	(30,573)	(94,566)	89,838	(35,301)
LESS: NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	<u>-</u>	<u>-</u>	<u>(4,728)</u>	<u>(4,728)</u>
NET LOSS ATTRIBUTABLE TO LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.	<u>\$ (30,573)</u>	<u>\$ (94,566)</u>	<u>\$ 94,566</u>	<u>\$ (30,573)</u>

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF CASH FLOWS

FIFTY-TWO WEEK PERIOD ENDING DECEMBER 30, 2017

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
DECREASE IN CASH AND CASH EQUIVALENTS				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	\$ (30,573)	\$ (94,566)	\$ 89,838	\$ (35,301)
Noncash items included in net loss:				
Amortization expense of debt issuance costs included in interest expense	30,346	13,464	-	43,810
Depreciation expense	186,223	-	-	186,223
Patronage investments in cooperatives received	(16,426)	-	-	(16,426)
Deferred income taxes	(109,300)	-	-	(109,300)
Loss from investment in subsidiary	89,838	-	(89,838)	-
Changes in assets and liabilities:				
Accounts receivable	(6,782)	-	-	(6,782)
Inventories	(217,322)	-	-	(217,322)
Prepaid expenses and other current assets	(178)	-	-	(178)
Accounts payable	78,364	-	-	78,364
Accrued expenses and other current liabilities	51,568	(245)	-	51,323
	<u>86,331</u>	<u>13,219</u>	<u>(89,838)</u>	<u>9,712</u>
Net cash provided by (used in) operating activities	<u>55,758</u>	<u>(81,347)</u>	<u>-</u>	<u>(25,589)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditures	(1,816,051)	-	-	(1,816,051)
Restricted cash	2,662,905	-	-	2,662,905
Due to (from) related party	(169,800)	169,800	-	-
Purchases of investments in cooperatives	(2,985)	-	-	(2,985)
Other assets	(26,816)	-	-	(26,816)
Net cash provided by investing activities	<u>647,253</u>	<u>169,800</u>	<u>-</u>	<u>817,053</u>
Subtotal (forward)	<u>\$ 703,011</u>	<u>\$ 88,453</u>	<u>\$ -</u>	<u>\$ 791,464</u>

(CONTINUED)

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF CASH FLOWS

FIFTY-TWO WEEK PERIOD ENDING DECEMBER 30, 2017

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	<u>Eliminations</u>	<u>Total</u>
Subtotal (forwarded)	\$ 703,011	\$ 88,453	\$ -	\$ 791,464
CASH FLOWS FROM FINANCING ACTIVITIES				
Accounts payable - construction-related	(807,336)	-	-	(807,336)
Principal payments on long-term borrowings	(15,000)	(90,414)	-	(105,414)
Deferred financing costs	(5,250)	-	-	(5,250)
Proceeds from issuance of capital stock, net	29,850	-	-	29,850
Net cash used in financing activities	<u>(797,736)</u>	<u>(90,414)</u>	<u>-</u>	<u>(888,150)</u>
Net decrease in cash and cash equivalents	(94,725)	(1,961)	-	(96,686)
CASH AND CASH EQUIVALENTS, beginning of period	<u>631,629</u>	<u>44,477</u>	<u>-</u>	<u>676,106</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 536,904</u>	<u>\$ 42,516</u>	<u>\$ -</u>	<u>\$ 579,420</u>
<u>Supplemental Disclosures of Cash Flows Information</u>				
Cash paid during the period for:				
Interest expense	<u>\$ 164,162</u>	<u>\$ 209,667</u>	<u>\$ -</u>	<u>\$ 373,829</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>