Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500.**

OMB Nos. 1210-0110
1210-0089

2016

This Form is Open to Public Inspection

Part I Annual Report Identification Information

For calendar plan year 2016 or fiscal plan year beginning 07/01/2016 and ending 06/30/2017

A This return/report is for:
- ☐ a multiemployer plan
- ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.)
- ☒ a single-employer plan
- ☐ a DFE (specify) ____

B This return/report is:
- ☐ the first return/report
- ☐ the final return/report
- ☐ an amended return/report
- ☐ a short plan year return/report (less than 12 months)

C If the plan is a collectively-bargained plan, check here. . . . . ▶ ☐

D Check box if filing under:
- ☒ Form 5558
- ☐ automatic extension
- ☐ the DFVC program
- ☐ special extension (enter description)

Part II Basic Plan Information—enter all requested information

1a Name of plan
THE NATURAL GROCERY COMPANY EMPLOYEE STOCK OWNERSHIP PLAN

1b Three-digit plan number (PN) ▶ 002

1c Effective date of plan 07/01/2002

2a Plan sponsor's name (employer, if for a single-employer plan)
Mailing address (include room, apt., suite no. and street, or P.O. Box)
City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions)
TOFU PATTIES, INC.DBA THE NATURAL GROCERY COMPANY

10367 SAN PABLO AVE
EL CERRITO, CA 94530-3122

2b Employer Identification Number (EIN) 94-2970763

2c Plan Sponsor's telephone number 510-526-0205

2d Business code (see instructions) 445110

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	04/06/2018	ROBERT GERNER
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	04/06/2018	ROBERT GERNER
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

Preparer's name (including firm name, if applicable) and address (include room or suite number)

Preparer's telephone number

3a Plan administrator's name and address [X] Same as Plan Sponsor	**3b** Administrator's EIN	
	3c Administrator's telephone number	
4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:	**4b** EIN	
a Sponsor's name	**4c** PN	

5 Total number of participants at the beginning of the plan year	**5**	121
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines **6a(1), 6a(2), 6b, 6c,** and **6d**).		
a(1) Total number of active participants at the beginning of the plan year	**6a(1)**	105
a(2) Total number of active participants at the end of the plan year	**6a(2)**	119
b Retired or separated participants receiving benefits	**6b**	1
c Other retired or separated participants entitled to future benefits	**6c**	15
d Subtotal. Add lines **6a(2)**, **6b**, and **6c**.	**6d**	135
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.	**6e**	0
f Total. Add lines **6d** and **6e**.	**6f**	135
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	135
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	**6h**	17
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	**7**	

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:
2I 2P 2Q 3I

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:

9a Plan funding arrangement (check all that apply)

(1)	[ ]	Insurance
(2)	[ ]	Code section 412(e)(3) insurance contracts
(3)	[X]	Trust
(4)	[ ]	General assets of the sponsor

9b Plan benefit arrangement (check all that apply)

(1)	[ ]	Insurance
(2)	[ ]	Code section 412(e)(3) insurance contracts
(3)	[X]	Trust
(4)	[ ]	General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

(1)	[X]	**R** (Retirement Plan Information)
(2)	[ ]	**MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
(3)	[ ]	**SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

(1)	[X]	**H** (Financial Information)
(2)	[ ]	**I** (Financial Information – Small Plan)
(3)	[ ]	**A** (Insurance Information) ___
(4)	[X]	**C** (Service Provider Information)
(5)	[ ]	**D** (DFE/Participating Plan Information)
(6)	[ ]	**G** (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ..... ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ..... ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2016 Form M-1 annual report. If the plan was not required to file the 2016 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code_____

SCHEDULE C (Form 5500)	Service Provider Information	OMB No. 1210-0110
Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ **File as an attachment to Form 5500.**	**2016** **This Form is Open to Public Inspection.**

For calendar plan year 2016 or fiscal plan year beginning 07/01/2016 and ending 06/30/2017

A Name of plan
THE NATURAL GROCERY COMPANY EMPLOYEE STOCK OWNERSHIP PLAN

B Three-digit plan number (PN) ▶ 002

C Plan sponsor's name as shown on line 2a of Form 5500
TOFU PATTIES, INC.DBA THE NATURAL GROCERY COMPANY

D Employer Identification Number (EIN)
94-2970763

Part I Service Provider Information (see instructions)

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions). . . . . ☐ Yes ☒ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

CHARTWELL

36-4799908

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
34 70	VALUATION SERVICES	23403	Yes [ ] No [X]	Yes [ ] No [ ]		Yes [ ] No [ ]

(a) Enter name and EIN or address (see instructions)

NIXON PEABODY LLP

16-0764720

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
29 70	LEGAL	11613	Yes [ ] No [X]	Yes [ ] No [ ]		Yes [ ] No [ ]

(a) Enter name and EIN or address (see instructions)

EKS&H

46-1497033

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
10 99	ACCOUNTANT	15500	Yes [ ] No [X]	Yes [ ] No [ ]		Yes [ ] No [ ]

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

PRINCIPAL

42-0127290

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
13 59 63 64 65	CONTRACT ADMINISTRATOR	21105	Yes [ ] No [X]	Yes [ ] No [ ]		Yes [ ] No [ ]

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes [ ] No [ ]	Yes [ ] No [ ]		Yes [ ] No [ ]

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes [ ] No [ ]	Yes [ ] No [ ]		Yes [ ] No [ ]

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received $1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

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(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)

(complete as many entries as needed)

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

SCHEDULE H (Form 5500)

Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Financial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2016

This Form is Open to Public Inspection

For calendar plan year 2016 or fiscal plan year beginning 07/01/2016 and ending 06/30/2017

A Name of plan
THE NATURAL GROCERY COMPANY EMPLOYEE STOCK OWNERSHIP PLAN

B Three-digit plan number (PN) ▶ 002

C Plan sponsor's name as shown on line 2a of Form 5500
TOFU PATTIES, INC.DBA THE NATURAL GROCERY COMPANY

D Employer Identification Number (EIN)
94-2970763

Part I Asset and Liability Statement

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	0	0
(2) Participant contributions	1b(2)	0	0
(3) Other	1b(3)	389	887
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	1737131	1593260
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)		

			(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:			
	(1) Employer securities	1d(1)	1700415	2800530
	(2) Employer real property	1d(2)		
e	Buildings and other property used in plan operation	1e		
f	Total assets (add all amounts in lines 1a through 1e)	1f	3437935	4394677
	Liabilities			
g	Benefit claims payable	1g	0	
h	Operating payables	1h	0	
i	Acquisition indebtedness	1i	0	
j	Other liabilities	1j	313326	130034
k	Total liabilities (add all amounts in lines 1g through1j)	1k	313326	130034
	Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	3124609	4264643

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

	Income		(a) Amount	(b) Total
a	**Contributions:**			
	(1) Received or receivable in cash from: **(A)** Employers	2a(1)(A)	200576	
	(B) Participants	2a(1)(B)	0	
	(C) Others (including rollovers)	2a(1)(C)	0	
	(2) Noncash contributions	2a(2)	0	
	(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		200576
b	**Earnings on investments:**			
	(1) Interest:			
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	3170	
	(B) U.S. Government securities	2b(1)(B)	0	
	(C) Corporate debt instruments	2b(1)(C)	0	
	(D) Loans (other than to participants)	2b(1)(D)	0	
	(E) Participant loans	2b(1)(E)		
	(F) Other	2b(1)(F)	0	
	(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		3170
	(2) Dividends: **(A)** Preferred stock	2b(2)(A)	0	
	(B) Common stock	2b(2)(B)	0	
	(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	0	
	(D) Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)**	2b(2)(D)		0
	(3) Rents	2b(3)		0
	(4) Net gain (loss) on sale of assets: **(A)** Aggregate proceeds	2b(4)(A)	0	
	(B) Aggregate carrying amount (see instructions)	2b(4)(B)	0	
	(C) Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result	2b(4)(C)		0
	(5) Unrealized appreciation (depreciation) of assets: **(A)** Real estate	2b(5)(A)	0	
	(B) Other	2b(5)(B)	1098984	
	(C) Total unrealized appreciation of assets. Add lines **2b(5)(A)** and **(B)**	2b(5)(C)		1098984

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		0
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		0
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		0
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		0
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		0
c Other income	2c		0
d Total income. Add all **income** amounts in column (b) and enter total	2d		1302730
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	73761	
(2) To insurance carriers for the provision of benefits	2e(2)	0	
(3) Other	2e(3)	0	
(4) Total benefit payments. Add lines **2e(1)** through **(3)**	2e(4)		73761
f Corrective distributions (see instructions)	2f		0
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		17283
i Administrative expenses: **(1)** Professional fees	2i(1)	50517	
(2) Contract administrator fees	2i(2)	21105	
(3) Investment advisory and management fees	2i(3)	0	
(4) Other	2i(4)	30	
(5) Total administrative expenses. Add lines **2i(1)** through **(4)**	2i(5)		71652
j Total expenses. Add all **expense** amounts in column (b) and enter total	2j		162696
Net Income and Reconciliation			
k Net income (loss). Subtract line **2j** from line **2d**	2k		1140034
l Transfers of assets:			
(1) To this plan	2l(1)		0
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) [X] Unqualified **(2)** [ ] Qualified **(3)** [ ] Disclaimer **(4)** [ ] Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? [ ] Yes [X] No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: EKS&H LLP **(2)** EIN: 46-1497033

d The opinion of an independent qualified public accountant is **not attached** because:

(1) [ ] This form is filed for a CCT, PSA, or MTIA. **(2)** [ ] It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

		Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	4a		X	0
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)	4b		X	0

			Yes	No	Amount
c	Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4c		X	0
d	Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	4d		X	0
e	Was this plan covered by a fidelity bond?	4e	X		1000000
f	Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		X	
g	Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	4g		X	
h	Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	4h		X	
i	Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i	X		
j	Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	4j		X	
k	Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
l	Has the plan failed to provide any benefit when due under the plan?	4l		X	
m	If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m		X	
n	If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3	4n			
o	Defined Benefit Plan or Money Purchase Pension Plan Only: Were any distributions made during the plan year to an employee who attained age 62 and had not separated from service?	4o			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If "Yes," enter the amount of any plan assets that reverted to the employer this year ☐ **Yes** ☒ **No** **Amount:**

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	**5b(2)** EIN(s)	**5b(3)** PN(s)

5c If the plan is a defined benefit plan, is it covered under the PBGC insurance program (See ERISA section 4021.)? ..... ☐ Yes ☐ No ☐ Not determined
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year_____. (See instructions.)

Part V Trust Information

6a Name of trust	**6b** Trust's EIN

6c Name of trustee or custodian	**6d** Trustee's or custodian's telephone number

SCHEDULE R (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Retirement Plan Information

This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2016

This Form is Open to Public Inspection.

For calendar plan year 2016 or fiscal plan year beginning 07/01/2016 and ending 06/30/2017

A Name of plan
THE NATURAL GROCERY COMPANY EMPLOYEE STOCK OWNERSHIP PLAN

B Three-digit plan number (PN) ▶ 002

C Plan sponsor's name as shown on line 2a of Form 5500
TOFU PATTIES, INC.DBA THE NATURAL GROCERY COMPANY

D Employer Identification Number (EIN)
94-2970763

Part I Distributions

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions **1** 0

2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):

EIN(s): 42-0127290

Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.

3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year **3**

Part II Funding Information (If the plan is not subject to the minimum funding requirements of section of 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

If the plan is a defined benefit plan, go to line 8.

5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. **Date:** Month _____ Day _____ Year _____

If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.

6 **a** Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived) **6a**

b Enter the amount contributed by the employer to the plan for this plan year **6b**

c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount) **6c**

If you completed line 6c, skip lines 8 and 9.

7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

Part III Amendments

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box. ..... ☐ **Increase** ☐ **Decrease** ☐ **Both** ☐ **No**

Part IV ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? ..... ☐ **Yes** ☒ **No**

11 **a** Does the ESOP hold any preferred stock? ..... ☐ **Yes** ☒ **No**

b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ..... ☐ **Yes** ☒ **No**

12 Does the ESOP hold any stock that is not readily tradable on an established securities market? ..... ☒ **Yes** ☐ **No**

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

14 Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	**14a**	
b The plan year immediately preceding the current plan year	**14b**	
c The second preceding plan year	**14c**	

15 Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	**15a**	
b The corresponding number for the second preceding plan year	**15b**	

16 Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	**16a**	
b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	**16b**	

17 If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

18 If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

19 If the total number of participants is 1,000 or more, complete lines (a) through (c)

a Enter the percentage of plan assets held as:
Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate line 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):

Part VII IRS Compliance Questions

20a Is the plan a 401(k) plan? If "No," skip b	☐ Yes ☐ No
20b How did the plan satisfy the nondiscrimination requirements for employee deferrals under section 401(k)(3) for the plan year? Check all that apply:	☐ Design-based safe harbor ☐ "Prior year" ADP test ☐ "Current year" ADP test ☐ N/A
21a What testing method was used to satisfy the coverage requirements under section 410(b) for the plan year? Check all that apply:	☐ Ratio percentage test ☐ Average benefit test ☐ N/A
21b Did the plan satisfy the coverage and nondiscrimination requirements of sections 410(b) and 401(a)(4) for the plan year by combining this plan with any other plan under the permissive aggregation rules?	☐ Yes ☐ No

22a If the plan is a master and prototype plan (M&P) or volume submitter plan that received a favorable IRS opinion letter or advisory letter, enter the date of the letter _____/_____/_____ and the serial number _____.

22b If the plan is an individually-designed plan that received a favorable determination letter from the IRS, enter the date of the most recent determination letter _____/_____/_____.

THE NATURAL GROCERY COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN

Financial Statements
and
Independent Auditors' Report
June 30, 2017 and 2016

EKS&H

THE NATURAL GROCERY COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN

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EKS&H

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EKS&H LLLP

INDEPENDENT AUDITORS' REPORT

To the Trustees and Plan Administrator
The Natural Grocery Company Employee Stock Ownership Plan
El Cerrito, California

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of The Natural Grocery Company Employee Stock Ownership Plan (the "Plan"), which are comprised of the statements of net assets available for benefits as of June 30, 2017 and 2016, the related statement of changes in net assets available for benefits for the year ended June 30, 2017, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the net assets available for benefits of The Natural Grocery Company Employee Stock Ownership Plan as of June 30, 2017 and 2016, and the changes in net assets available for benefits for the year ended June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

REPORT ON SUPPLEMENTARY INFORMATION

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

EKS&H LLLP

EKS&H LLLP

April 3, 2018
Fort Collins, Colorado

THE NATURAL GROCERY COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN

Statements of Net Assets Available for Benefits

	June 30,					
	2017			2016		
	Allocated	Unallocated	Total	Allocated	Unallocated	Total
Assets						
Investments, at fair value						
Money market account and interest-bearing cash	$ 1,593,260	$ -	$ 1,593,260	$ 1,737,131	$ -	$ 1,737,131
Investment in The Natural Grocery Company common stock	2,738,472	62,058	2,800,530	1,606,216	94,199	1,700,415
Total investments, at fair value	4,331,732	62,058	4,393,790	3,343,347	94,199	3,437,546
Interest receivable	887	-	887	389	-	389
Total assets	4,332,619	62,058	4,394,677	3,343,736	94,199	3,437,935
Liabilities and Net Assets						
Note payable - related party	-	130,034	130,034	-	313,326	313,326
Total liabilities	-	130,034	130,034	-	313,326	313,326
Net assets (deficit) available for benefits	$ 4,332,619	$ (67,976)	$ 4,264,643	$ 3,343,736	$ (219,127)	$ 3,124,609

See notes to financial statements.

THE NATURAL GROCERY COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN

Statement of Changes in Net Assets Available for Benefits
For the Year Ended June 30, 2017

	Allocated	Unallocated	Total
Additions to net assets			
Net appreciation in fair value of The Natural Grocery Company common stock	$ 1,039,171	$ 60,944	$ 1,100,115
Employer contributions	-	200,576	200,576
Interest income	3,170	-	3,170
Allocation of 4,337 shares of The Natural Grocery Company common stock, at fair value	93,086	-	93,086
Total additions to net assets	1,135,427	261,520	1,396,947
Deductions from net assets			
Benefit payments	73,761	-	73,761
Plan expenses	71,652	-	71,652
Other loss	1,131	-	1,131
Interest expense	-	17,283	17,283
Allocation of 4,337 shares of The Natural Grocery Company common stock, at fair value	-	93,086	93,086
Total deductions from net assets	146,544	110,369	256,913
Net increase	988,883	151,151	1,140,034
Net assets available for benefits			
Beginning of year	3,343,736	(219,127)	3,124,609
End of year	$ 4,332,619	$ (67,976)	$ 4,264,643

See notes to financial statements.

Notes to Financial Statements

Note 1 - Description of the Plan and Significant Accounting Policies

The following is a brief description of The Natural Grocery Company Employee Stock Ownership Plan (the "Plan"), which provides only general information. Participants and all others should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan established July 1, 2002 and most recently amended July 1, 2013. The Plan covers all employees of The Natural Grocery Company ("NGC" or the "Company") not covered by a collective bargaining agreement upon completion of one year of service in which they are credited with 1,000 hours of service. Employees may begin participating in the Plan on January 1st or June 30th coinciding with or next following the date on which they complete the Plan eligibility requirements. The initial eligibility computation period for determining one year of service shall be the 12 consecutive month period beginning on the employee's date of hire. If the employee does not meet the hours of service eligibility requirement in their first year of employment, the computation period becomes the 12 consecutive month Plan year. The Plan is designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986 (the "Code"), as amended, and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended.

On December 31, 2002, the Plan purchased 12,000 shares of NGC's common stock for $3,192,000. Subsequently, all of the Company's stock was split 10-to-1 resulting in total Plan shares from the original acquisition of 120,000. The Company made contributions of $100,000 to the Plan for purchase of the shares, and the Plan financed the remaining $3,092,000 through a note payable to the Company. The common stock is held in a trust established under the Plan. The borrowings are to be repaid over a period of fifteen years through Company contributions to the Plan. As the Plan makes each payment of principal and interest, an appropriate percentage of stock will be allocated to eligible employees' accounts in accordance with Plan provisions and applicable regulations under the Code.

The borrowings are collateralized by the unallocated shares of stock. The Company has no rights against shares once they have been allocated to participants. Accordingly, within the financial statements of the Plan as of June 30, 2017 and 2016 and for the year ended June 30, 2017, the assets and liabilities and changes therein pertaining to the accounts of employees with vested rights in allocated stock ("Allocated") and stock not yet allocated to employees ("Unallocated") are shown separately. The Unallocated shares as of June 30, 2017 and 2016 were 2,892 and 7,229, respectively.

The Board of Directors of the Company administers the Plan and appoints Trustee(s). Principal Life Insurance Company ("Principal") performs recordkeeping for the Plan.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Note 1 - Description of the Plan and Significant Accounting Policies (continued)

Employer Contributions

Each year, the Company's Board of Directors determines the amount of discretionary contributions, if any, to be made to the Plan. An employee must complete at least 1,000 hours of service by the end of the Plan year and be employed on the last day of the Plan year in order to participate in Plan contributions and allocations, including allocations of forfeitures. NGC's discretionary contributions and allocations of shares are allocated among individual accounts established for each participant in proportion to the ratio that each participant's eligible compensation for the Plan year bears to the eligible compensation of all participants for the Plan year. The Company did not make any discretionary contributions for the Plan year ended June 30, 2017.

Participant Accounts

Each participant's account is credited or charged as of the last day of each Plan year with an allocation of Company discretionary contribution, the of shares of the Company's common stock released by the Plan trustees from the Unallocated account, an allocation of forfeitures of terminated participants' non-vested accounts, Plan earnings or losses, and Plan expenses. Participants are not allowed to contribute to the Plan.

Forfeitures

If a participant terminates employment for any reason other than retirement, total disability, or death, the non-vested portion of the participant's account balance is forfeited and allocated to the other Plan participants based upon their proportionate share of eligible compensation subject to certain limits. The amount to be forfeited will be deducted from the participant's balance. There were no unallocated forfeited shares at June 30, 2017 and 2016. Forfeitures allocated to other participants totaled 875 shares during the year ended June 30, 2017.

Voting Rights

Each participant shall be entitled to direct the Trustee as to the manner in which any voting rights under employer stock allocated to such participant's account are to be exercised solely with respect to a corporate matter, which involves the voting of such shares with respect to the approval or disapproval of any corporate merger or consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all assets of a trade or business, or such similar transactions as the secretary shall prescribe in regulations. The Trustee shall exercise voting rights with respect to employer stock that is not allocated to a participant's account and with respect to employer stock that is allocated to participants' accounts, except as provided for in the Plan document.

Notes to Financial Statements

Note 1 - Description of the Plan and Significant Accounting Policies (continued)

Vesting

Prior to pay-off of the note payable balance, employer contributions, forfeitures, and the earnings or losses thereon not fully vested when contributed will vest as follows:

Years of Service	Vested Interest
Less than 5	0%
5	100%

Years of service for vesting prior to note payable pay-off are defined as Plan years in which an employee is credited with at least 1,000 hours of service.

Subsequent to pay-off of the note payable balance, employer contributions, forfeitures, and the earnings or losses thereon not fully vested when contributed will vest as follows:

Years of Service	Vested Interest
Less than 3	0%
3	100%

A participant's account becomes 100% vested upon death, attaining normal retirement age (the age of 65 or, if later, the fifth or third anniversary date of the employees' hire dates depending on if the note payable has been paid-off) retirement due to disability, or if the Plan is terminated.

Diversification

Diversification is offered to participants close to retirement so that they may have the opportunity to move part of the value of their investment in Company common stock into investments that are more diversified. Participants who are at least age 55 with at least ten years of participation in the Plan may elect to diversify a portion of their account. Diversification is offered to each eligible participant over a six-year period. In each of the first five years, a participant may diversify up to 25% of the number of shares allocated to his or her account, less any shares previously diversified. In the sixth year, the percentage changes to 50%. Participants who elect to diversify receive a cash distribution. During 2017, the Plan repurchased 2,524 shares from participants who elected diversification.

Put Option

Under federal income tax regulations, since NGC common stock that is held by the Plan and its participants is not readily tradable on an established market, it is subject to a put option. Participants shall have the right to demand that the Company buy any shares of its stock distributed to these participants for which there is no established market. The put price is representative of the fair value of the stock. The Company can pay for the purchase with interest over a period of five years. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash.

Notes to Financial Statements

Note 1 - Description of the Plan and Significant Accounting Policies (continued)

Investment Valuation and Income Recognition

The money market account and interest-bearing cash accounts are held by Mechanics Bank and are recorded at cost, which approximates fair value given the short-term nature of these investments. Investments in common stock of NGC are carried at fair value. See Note 3 for additional disclosures surrounding fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded in accordance with the accrual method. The net realized and unrealized investment gain or loss (net appreciation or depreciation in fair value of investments) is reflected in the accompanying statement of changes in net assets available for benefits and is determined as the difference between fair value at the beginning of the year (or date purchased if during the year) and selling price (if sold during the year) or year-end fair value. NGC stock appreciation or depreciation is reflected in the fair value of the stock and allocated on a per-share basis, as defined by the Plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risks and Uncertainties

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Subsequent Events

The Plan has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Note 2 - Investments in Employer Securities

The Plan's NGC common stock investments are presented in the following table:

	December 31,			
	2017		2016	
	Allocated	Unallocated	Allocated	Unallocated
Number of shares of NGC common stock	127,608	2,892	123,271	7,229
Estimated NGC fair value	$ 2,738,472	$ 62,058	$ 1,606,216	$ 94,199
Cost of NGC common stock	$ 3,589,778	$ 76,927	$ 3,474,414	$ 192,291

Note 3 - Fair Value Accounting

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The trustees have an independent valuation performed at the end of each Plan year to determine the fair value of NGC's common stock. The fair value is approved by the trustees each year after reviewing the independent valuation, and agreement is reached on the appropriateness of the inputs, assumptions, and methodologies used in the valuation. The valuation of NGC's common stock used the guideline public company and merger and acquisition methods related to the market approach and the discounted cash flow method related to the income approach for the years ended June 30, 2017 and 2016.

Note 3 - Fair Value Accounting (continued)

The guideline public company market approach determined NGC's value by analyzing multiples at which publicly traded equity securities trade for eight comparable public companies relative to the underlying company's sales, earnings, or cash flow. The merger and acquisition market approach examined sales of companies or large blocks of equity to provide guidance with respect to determining the value of NGC. The discounted cash flow method utilized expected future cash flows, coupled with a terminal value calculation, and discounted these to present value using a weighted-average cost of capital to determine fair value. The valuation specialist then examined the results from these three methods, determined a starting value for the equity of NGC, then applied lack of control and lack of marketability discounts to arrive at the fair value.

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The following table sets forth by level, within the fair value hierarchy, the Plan's investments measured at fair value on a recurring basis as of June 30, 2017:

Description	Level 1	Level 2	Level 3	Total
Money market account	$ 1,092,817	$ -	$ -	$ 1,092,817
Interest-bearing cash	500,443	-	-	500,443
NGC common stock	-	-	2,800,530	2,800,530
Total	$ 1,593,260	$ -	$ 2,800,530	$ 4,393,790

The following table sets forth by level, within the fair value hierarchy, the Plan's investments measured at fair value on a recurring basis as of June 30, 2016:

Description	Level 1	Level 2	Level 3	Total
Money market account	$ 676,417	$ -	$ -	$ 676,417
Interest-bearing cash	1,060,714	-	-	1,060,714
NGC common stock	-	-	1,700,415	$ 1,700,415
Total	$ 1,737,131	$ -	$ 1,700,415	$ 3,437,546

There were no changes to the valuation techniques during the years ended June 30, 2017 and 2016.

Note 3 - Fair Value Accounting (continued)

Level 3 Changes

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended June 30, 2017 and 2016:

	The Natural Grocery Company Common Stock
Balance - June 30, 2016	$ 1,700,415
Net appreciation in NGC common stock	1,100,115
Balance - June 30, 2017	$ 2,800,530

Note 4 - Income Taxes

The Plan has obtained a favorable Plan-specific determination letter, dated September 8, 2014, which was issued on the Plan document. The Plan administrator believes that the Plan is designed and is being operated in accordance with the applicable rules and regulations and, therefore, is exempt from federal income taxes under the Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

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The Plan's assets, which consist principally of NGC common stock, are held by the Trustee.

Contributions to the Plan are held and managed by the Trustee, which invests cash received and interest income and administers the payment of principal and interest on the Plan loan. The Company reports all of these transactions to Principal so that they are able to perform recordkeeping for the Plan. Principal also processes distributions to participants.

The Company provides, at no cost to the Plan, certain administrative and accounting services to the Plan. Beginning with the 2016 Plan year, the Plan began expensing certain legal fees from Plan assets.

Note 6 - Note Payable - Related Party

	June 30, 2017	June 30, 2016
Note payable to NGC to be paid in annual installments of principal and interest at 7.5%, which was paid in full subsequent to year-end. The note payable is collateralized by 2,892 and 7,229 unallocated shares of NGC common stock as of June 30, 2017 and 2016, respectively.	$ 130,034	$ 313,326

Note 7 - Benefit Distributions

Each participant's account balance will be distributable upon death, retirement, disability, or termination of employment. Plan provisions allow the Company to delay distributions until the original loan to purchase the stock is paid in full. Distributions are made in accordance with Plan provisions and recorded when paid. For participants with balances greater than $1,000, Plan management may choose between two methods of distribution. Plan management may choose to distribute the vested account balance in a single lump sum or may choose to have equal annual installments over a period not to exceed five years. An additional year may be added for each $205,000 or fraction thereof by which the participant's vested account balance exceeds $1,035,000, or any combination of the foregoing. Accounts with balances less than $1,000 may be immediately distributed upon a distribution event. At June 30, 2016, there were distributions requested and not yet processed to participants who had withdrawn from participation in the Plan totaling $42,344. There were no distributions requested and not yet processed to participants who had withdrawn from participation in the Plan at June 30, 2017. As of June 30, 2017 and 2016, the Plan was obligated to repurchase approximately $523,821 and $511,620, respectively, of shares for vested account balances of terminated participants, as these shares are subject to the put option.

Note 8 - Plan Termination

Although it has not expressed any intent to do so, Company reserves the right to terminate the Plan at any time, subject to Plan provisions. Upon such termination of the Plan, the interest of each participant in the Plan becomes fully vested and distributed to such participant or his or her beneficiary at the time prescribed by the Plan terms and the Code.

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The Plan's investments include common stock in the Company and qualify as party-in-interest transactions, which are exempt from the prohibited transaction rules.

Note 10 - Reconciliation to Form 5500

Expenses and accrued expenses for financial reporting purposes differ from amounts shown on the Plan's Form 5500 as of and for the year ended June 30, 2016, due to the accrual of expenses as of June 30, 2015, which were paid from the Plan during 2016.

SUPPLEMENTAL SCHEDULE

THE NATURAL GROCERY COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN

Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year)
As of June 30, 2017

Employer Identification Number - 94-2970763
Plan Number - 002

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost	(e) Current Value
*	Natural Grocery Company	Common stock (130,500 shares)	$ 3,666,705	$ 2,800,530
	Mechanic Bank	Interest-bearing cash	500,443	500,443
	Mechanic Bank	Money market account	1,092,817	1,092,817
			$ 5,259,965	$ 4,393,790

* Party-in-interest

THE NATURAL GROCERY COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN

Financial Statements
and
Independent Auditors' Report
June 30, 2017 and 2016

EKS&H

THE NATURAL GROCERY COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN

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INDEPENDENT AUDITORS' REPORT

To the Trustees and Plan Administrator
The Natural Grocery Company Employee Stock Ownership Plan
El Cerrito, California

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of The Natural Grocery Company Employee Stock Ownership Plan (the "Plan"), which are comprised of the statements of net assets available for benefits as of June 30, 2017 and 2016, the related statement of changes in net assets available for benefits for the year ended June 30, 2017, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the net assets available for benefits of The Natural Grocery Company Employee Stock Ownership Plan as of June 30, 2017 and 2016, and the changes in net assets available for benefits for the year ended June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

REPORT ON SUPPLEMENTARY INFORMATION

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

EKS&H LLLP

EKS&H LLLP

April 3, 2018
Fort Collins, Colorado

THE NATURAL GROCERY COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN

Statements of Net Assets Available for Benefits

	June 30,					
	2017			2016		
	Allocated	Unallocated	Total	Allocated	Unallocated	Total
Assets						
Investments, at fair value						
Money market account and interest-bearing cash	$ 1,593,260	$ -	$ 1,593,260	$ 1,737,131	$ -	$ 1,737,131
Investment in The Natural Grocery Company common stock	2,738,472	62,058	2,800,530	1,606,216	94,199	1,700,415
Total investments, at fair value	4,331,732	62,058	4,393,790	3,343,347	94,199	3,437,546
Interest receivable	887	-	887	389	-	389
Total assets	4,332,619	62,058	4,394,677	3,343,736	94,199	3,437,935
Liabilities and Net Assets						
Note payable - related party	-	130,034	130,034	-	313,326	313,326
Total liabilities	-	130,034	130,034	-	313,326	313,326
Net assets (deficit) available for benefits	$ 4,332,619	$ (67,976)	$ 4,264,643	$ 3,343,736	$ (219,127)	$ 3,124,609

See notes to financial statements.

THE NATURAL GROCERY COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN

Statement of Changes in Net Assets Available for Benefits
For the Year Ended June 30, 2017

	Allocated	Unallocated	Total
Additions to net assets			
Net appreciation in fair value of The Natural Grocery Company common stock	$ 1,039,171	$ 60,944	$ 1,100,115
Employer contributions	-	200,576	200,576
Interest income	3,170	-	3,170
Allocation of 4,337 shares of The Natural Grocery Company common stock, at fair value	93,086	-	93,086
Total additions to net assets	1,135,427	261,520	1,396,947
Deductions from net assets			
Benefit payments	73,761	-	73,761
Plan expenses	71,652	-	71,652
Other loss	1,131	-	1,131
Interest expense	-	17,283	17,283
Allocation of 4,337 shares of The Natural Grocery Company common stock, at fair value	-	93,086	93,086
Total deductions from net assets	146,544	110,369	256,913
Net increase	988,883	151,151	1,140,034
Net assets available for benefits			
Beginning of year	3,343,736	(219,127)	3,124,609
End of year	$ 4,332,619	$ (67,976)	$ 4,264,643

See notes to financial statements.

Notes to Financial Statements

Note 1 - Description of the Plan and Significant Accounting Policies

The following is a brief description of The Natural Grocery Company Employee Stock Ownership Plan (the "Plan"), which provides only general information. Participants and all others should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan established July 1, 2002 and most recently amended July 1, 2013. The Plan covers all employees of The Natural Grocery Company ("NGC" or the "Company") not covered by a collective bargaining agreement upon completion of one year of service in which they are credited with 1,000 hours of service. Employees may begin participating in the Plan on January 1st or June 30th coinciding with or next following the date on which they complete the Plan eligibility requirements. The initial eligibility computation period for determining one year of service shall be the 12 consecutive month period beginning on the employee's date of hire. If the employee does not meet the hours of service eligibility requirement in their first year of employment, the computation period becomes the 12 consecutive month Plan year. The Plan is designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986 (the "Code"), as amended, and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended.

On December 31, 2002, the Plan purchased 12,000 shares of NGC's common stock for $3,192,000. Subsequently, all of the Company's stock was split 10-to-1 resulting in total Plan shares from the original acquisition of 120,000. The Company made contributions of $100,000 to the Plan for purchase of the shares, and the Plan financed the remaining $3,092,000 through a note payable to the Company. The common stock is held in a trust established under the Plan. The borrowings are to be repaid over a period of fifteen years through Company contributions to the Plan. As the Plan makes each payment of principal and interest, an appropriate percentage of stock will be allocated to eligible employees' accounts in accordance with Plan provisions and applicable regulations under the Code.

The borrowings are collateralized by the unallocated shares of stock. The Company has no rights against shares once they have been allocated to participants. Accordingly, within the financial statements of the Plan as of June 30, 2017 and 2016 and for the year ended June 30, 2017, the assets and liabilities and changes therein pertaining to the accounts of employees with vested rights in allocated stock ("Allocated") and stock not yet allocated to employees ("Unallocated") are shown separately. The Unallocated shares as of June 30, 2017 and 2016 were 2,892 and 7,229, respectively.

The Board of Directors of the Company administers the Plan and appoints Trustee(s). Principal Life Insurance Company ("Principal") performs recordkeeping for the Plan.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Note 1 - Description of the Plan and Significant Accounting Policies (continued)

Employer Contributions

Each year, the Company's Board of Directors determines the amount of discretionary contributions, if any, to be made to the Plan. An employee must complete at least 1,000 hours of service by the end of the Plan year and be employed on the last day of the Plan year in order to participate in Plan contributions and allocations, including allocations of forfeitures. NGC's discretionary contributions and allocations of shares are allocated among individual accounts established for each participant in proportion to the ratio that each participant's eligible compensation for the Plan year bears to the eligible compensation of all participants for the Plan year. The Company did not make any discretionary contributions for the Plan year ended June 30, 2017.

Participant Accounts

Each participant's account is credited or charged as of the last day of each Plan year with an allocation of Company discretionary contribution, the of shares of the Company's common stock released by the Plan trustees from the Unallocated account, an allocation of forfeitures of terminated participants' non-vested accounts, Plan earnings or losses, and Plan expenses. Participants are not allowed to contribute to the Plan.

Forfeitures

If a participant terminates employment for any reason other than retirement, total disability, or death, the non-vested portion of the participant's account balance is forfeited and allocated to the other Plan participants based upon their proportionate share of eligible compensation subject to certain limits. The amount to be forfeited will be deducted from the participant's balance. There were no unallocated forfeited shares at June 30, 2017 and 2016. Forfeitures allocated to other participants totaled 875 shares during the year ended June 30, 2017.

Voting Rights

Each participant shall be entitled to direct the Trustee as to the manner in which any voting rights under employer stock allocated to such participant's account are to be exercised solely with respect to a corporate matter, which involves the voting of such shares with respect to the approval or disapproval of any corporate merger or consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all assets of a trade or business, or such similar transactions as the secretary shall prescribe in regulations. The Trustee shall exercise voting rights with respect to employer stock that is not allocated to a participant's account and with respect to employer stock that is allocated to participants' accounts, except as provided for in the Plan document.

Notes to Financial Statements

Note 1 - Description of the Plan and Significant Accounting Policies (continued)

Vesting

Prior to pay-off of the note payable balance, employer contributions, forfeitures, and the earnings or losses thereon not fully vested when contributed will vest as follows:

Years of Service	Vested Interest
Less than 5	0%
5	100%

Years of service for vesting prior to note payable pay-off are defined as Plan years in which an employee is credited with at least 1,000 hours of service.

Subsequent to pay-off of the note payable balance, employer contributions, forfeitures, and the earnings or losses thereon not fully vested when contributed will vest as follows:

Years of Service	Vested Interest
Less than 3	0%
3	100%

A participant's account becomes 100% vested upon death, attaining normal retirement age (the age of 65 or, if later, the fifth or third anniversary date of the employees' hire dates depending on if the note payable has been paid-off) retirement due to disability, or if the Plan is terminated.

Diversification

Diversification is offered to participants close to retirement so that they may have the opportunity to move part of the value of their investment in Company common stock into investments that are more diversified. Participants who are at least age 55 with at least ten years of participation in the Plan may elect to diversify a portion of their account. Diversification is offered to each eligible participant over a six-year period. In each of the first five years, a participant may diversify up to 25% of the number of shares allocated to his or her account, less any shares previously diversified. In the sixth year, the percentage changes to 50%. Participants who elect to diversify receive a cash distribution. During 2017, the Plan repurchased 2,524 shares from participants who elected diversification.

Put Option

Under federal income tax regulations, since NGC common stock that is held by the Plan and its participants is not readily tradable on an established market, it is subject to a put option. Participants shall have the right to demand that the Company buy any shares of its stock distributed to these participants for which there is no established market. The put price is representative of the fair value of the stock. The Company can pay for the purchase with interest over a period of five years. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash.

Notes to Financial Statements

Note 1 - Description of the Plan and Significant Accounting Policies (continued)

Investment Valuation and Income Recognition

The money market account and interest-bearing cash accounts are held by Mechanics Bank and are recorded at cost, which approximates fair value given the short-term nature of these investments. Investments in common stock of NGC are carried at fair value. See Note 3 for additional disclosures surrounding fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded in accordance with the accrual method. The net realized and unrealized investment gain or loss (net appreciation or depreciation in fair value of investments) is reflected in the accompanying statement of changes in net assets available for benefits and is determined as the difference between fair value at the beginning of the year (or date purchased if during the year) and selling price (if sold during the year) or year-end fair value. NGC stock appreciation or depreciation is reflected in the fair value of the stock and allocated on a per-share basis, as defined by the Plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risks and Uncertainties

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Subsequent Events

The Plan has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Note 2 - Investments in Employer Securities

The Plan's NGC common stock investments are presented in the following table:

	December 31,			
	2017		2016	
	Allocated	Unallocated	Allocated	Unallocated
Number of shares of NGC common stock	127,608	2,892	123,271	7,229
Estimated NGC fair value	$ 2,738,472	$ 62,058	$ 1,606,216	$ 94,199
Cost of NGC common stock	$ 3,589,778	$ 76,927	$ 3,474,414	$ 192,291

Note 3 - Fair Value Accounting

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The trustees have an independent valuation performed at the end of each Plan year to determine the fair value of NGC's common stock. The fair value is approved by the trustees each year after reviewing the independent valuation, and agreement is reached on the appropriateness of the inputs, assumptions, and methodologies used in the valuation. The valuation of NGC's common stock used the guideline public company and merger and acquisition methods related to the market approach and the discounted cash flow method related to the income approach for the years ended June 30, 2017 and 2016.

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The guideline public company market approach determined NGC's value by analyzing multiples at which publicly traded equity securities trade for eight comparable public companies relative to the underlying company's sales, earnings, or cash flow. The merger and acquisition market approach examined sales of companies or large blocks of equity to provide guidance with respect to determining the value of NGC. The discounted cash flow method utilized expected future cash flows, coupled with a terminal value calculation, and discounted these to present value using a weighted-average cost of capital to determine fair value. The valuation specialist then examined the results from these three methods, determined a starting value for the equity of NGC, then applied lack of control and lack of marketability discounts to arrive at the fair value.

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The following table sets forth by level, within the fair value hierarchy, the Plan's investments measured at fair value on a recurring basis as of June 30, 2017:

Description	Level 1	Level 2	Level 3	Total
Money market account	$ 1,092,817	$ -	$ -	$ 1,092,817
Interest-bearing cash	500,443	-	-	500,443
NGC common stock	-	-	2,800,530	2,800,530
Total	$ 1,593,260	$ -	$ 2,800,530	$ 4,393,790

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Total	$ 1,737,131	$ -	$ 1,700,415	$ 3,437,546

There were no changes to the valuation techniques during the years ended June 30, 2017 and 2016.

Note 3 - Fair Value Accounting (continued)

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SUPPLEMENTAL SCHEDULE

THE NATURAL GROCERY COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN

Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year)
As of June 30, 2017

Employer Identification Number - 94-2970763
Plan Number - 002

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* Party-in-interest