# 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

**2018**

**This Form is Open to Public Inspection**

## Part I Annual Report Identification Information

For calendar plan year 2018 or fiscal plan year beginning 01/01/2018 and ending 12/31/2018

**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.)
- [X] 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:
- [X] Form 5558
- [ ] automatic extension
- [ ] the DFVC program
- [ ] special extension (enter description)

## Part II Basic Plan Information—enter all requested information

**1a** Name of plan
NORTH STATE GROCERY, INC. EMPLOYEE STOCK OWNERSHIP PLAN

**1b** Three-digit plan number (PN) ▶ 002

**1c** Effective date of plan 01/01/2006

**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)
NORTH STATE GROCERY, INC.

20803 FRONT STREET
P.O. BOX 439
COTTONWOOD, CA 96022

**2b** Employer Identification Number (EIN)
68-0173691

**2c** Plan Sponsor's telephone number
530-347-4621

**2d** Business code (see instructions)
424400

**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. | 10/16/2019 | RICHARD E. MORGAN |
| | **Signature of plan administrator** | Date | Enter name of individual signing as plan administrator |
| **SIGN HERE** | | | |
| | **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 |

**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 or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report:
**a** Sponsor's name
**c** Plan Name

**4b** EIN

**4d** PN

| | | |
|---|---|---|
| **5** Total number of participants at the beginning of the plan year | **5** | 573 |
| **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)** | 496 |
| **a(2)** Total number of active participants at the end of the plan year | **6a(2)** | 496 |
| **b** Retired or separated participants receiving benefits | **6b** | 29 |
| **c** Other retired or separated participants entitled to future benefits | **6c** | 96 |
| **d** Subtotal. Add lines **6a(2)**, **6b**, and **6c** | **6d** | 621 |
| **e** Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. | **6e** | 1 |
| **f** Total. Add lines **6d** and **6e**. | **6f** | 622 |
| **g** Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) | **6g** | 604 |
| **h** Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested | **6h** | 51 |
| **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

**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)** | [ ] | 0 | **A** (Insurance Information) |
| **(4)** | [ ] | | **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 2018 Form M-1 annual report. If the plan was not required to file the 2018 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 H (Form 5500)

Department of the Treasury
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

**2018**

**This Form is Open to Public Inspection**

For calendar plan year 2018 or fiscal plan year beginning 01/01/2018 and ending 12/31/2018

**A** Name of plan
NORTH STATE GROCERY, INC. EMPLOYEE STOCK OWNERSHIP PLAN

**B** Three-digit plan number (PN) ▶ 002

**C** Plan sponsor's name as shown on line 2a of Form 5500
NORTH STATE GROCERY, INC.

**D** Employer Identification Number (EIN)
68-0173691

## 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) | 433534 | 461827 |
| **(2)** Participant contributions | 1b(2) | | |
| **(3)** Other | 1b(3) | 1142 | 1026 |
| **c** General investments: | | | |
| **(1)** Interest-bearing cash (include money market accounts & certificates of deposit) | 1c(1) | 92115 | 2442 |
| **(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) | 36298679 | 49899119 |
| | **(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 | 36825470 | 50364414 |
| | **Liabilities** | | | |
| **g** | Benefit claims payable | 1g | 0 | 2078 |
| **h** | Operating payables | 1h | | |
| **i** | Acquisition indebtedness | 1i | 608959 | 471804 |
| **j** | Other liabilities | 1j | | |
| **k** | Total liabilities (add all amounts in lines 1g through1j) | 1k | 608959 | 473882 |
| | **Net Assets** | | | |
| **l** | Net assets (subtract line 1k from line 1f) | 1l | 36216511 | 49890532 |

## 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) | 1622640 | |
| | **(B)** Participants | 2a(1)(B) | | |
| | **(C)** Others (including rollovers) | 2a(1)(C) | | |
| | **(2)** Noncash contributions | 2a(2) | | |
| | **(3)** Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)** | 2a(3) | | 1622640 |
| **b** | **Earnings on investments:** | | | |
| | **(1)** Interest: | | | |
| | **(A)** Interest-bearing cash (including money market accounts and certificates of deposit) | 2b(1)(A) | 5269 | |
| | **(B)** U.S. Government securities | 2b(1)(B) | | |
| | **(C)** Corporate debt instruments | 2b(1)(C) | | |
| | **(D)** Loans (other than to participants) | 2b(1)(D) | | |
| | **(E)** Participant loans | 2b(1)(E) | | |
| | **(F)** Other | 2b(1)(F) | | |
| | **(G)** Total interest. Add lines **2b(1)(A)** through **(F)** | 2b(1)(G) | | 5269 |
| | **(2)** Dividends: **(A)** Preferred stock | 2b(2)(A) | | |
| | **(B)** Common stock | 2b(2)(B) | | |
| | **(C)** Registered investment company shares (e.g. mutual funds) | 2b(2)(C) | | |
| | **(D)** Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)** | 2b(2)(D) | | 0 |
| | **(3)** Rents | 2b(3) | | |
| | **(4)** Net gain (loss) on sale of assets: **(A)** Aggregate proceeds | 2b(4)(A) | | |
| | **(B)** Aggregate carrying amount (see instructions) | 2b(4)(B) | | |
| | **(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) | | |
| | **(B)** Other | 2b(5)(B) | 13600440 | |
| | **(C)** Total unrealized appreciation of assets. Add lines **2b(5)(A)** and **(B)** | 2b(5)(C) | | 13600440 |

| | | (a) Amount | (b) Total |
|---|---|---|---|
| (6) Net investment gain (loss) from common/collective trusts | 2b(6) | | |
| (7) Net investment gain (loss) from pooled separate accounts | 2b(7) | | |
| (8) Net investment gain (loss) from master trust investment accounts | 2b(8) | | |
| (9) Net investment gain (loss) from 103-12 investment entities | 2b(9) | | |
| (10) Net investment gain (loss) from registered investment companies (e.g., mutual funds) | 2b(10) | | |
| c Other income | 2c | | |
| d Total income. Add all **income** amounts in column (b) and enter total | 2d | | 15228349 |
| **Expenses** | | | |
| e Benefit payment and payments to provide benefits: | | | |
| (1) Directly to participants or beneficiaries, including direct rollovers | 2e(1) | 1509623 | |
| (2) To insurance carriers for the provision of benefits | 2e(2) | | |
| (3) Other | 2e(3) | | |
| (4) Total benefit payments. Add lines **2e(1)** through **(3)** | 2e(4) | | 1509623 |
| f Corrective distributions (see instructions) | 2f | | |
| g Certain deemed distributions of participant loans (see instructions) | 2g | | |
| h Interest expense | 2h | | 42627 |
| i Administrative expenses: (1) Professional fees | 2i(1) | | |
| (2) Contract administrator fees | 2i(2) | 2078 | |
| (3) Investment advisory and management fees | 2i(3) | | |
| (4) Other | 2i(4) | | |
| (5) Total administrative expenses. Add lines **2i(1)** through **(4)** | 2i(5) | | 2078 |
| j Total expenses. Add all **expense** amounts in column (b) and enter total | 2j | | 1554328 |
| **Net Income and Reconciliation** | | | |
| k Net income (loss). Subtract line **2j** from line **2d** | 2k | | 13674021 |
| l Transfers of assets: | | | |
| (1) To this plan | 2l(1) | | |
| (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)** ☐ 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 ☐ No

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

**(1)** Name: CAMPBELL TAYLOR **(2)** EIN: 68-0251243

**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 | |
| **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 | |

| | | | 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 | |
| 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 | |
| e | Was this plan covered by a fidelity bond? | 4e | X | | 2500000 |
| 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 | | | |

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

**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.)

# 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

**2018**

**This Form is Open to Public Inspection.**

For calendar plan year 2018 or fiscal plan year beginning 01/01/2018 and ending 12/31/2018

**A** Name of plan
NORTH STATE GROCERY, INC. EMPLOYEE STOCK OWNERSHIP PLAN

**B** Three-digit plan number (PN) ▶ 002

**C** Plan sponsor's name as shown on line 2a of Form 5500
NORTH STATE GROCERY, INC.

**D** Employer Identification Number (EIN)
68-0173691

## 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): 36-3681493

**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 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):

*Financial Statements and*
*Independent Auditor's Report of*

# NORTH STATE GROCERY, INC.
# EMPLOYEE STOCK OWNERSHIP PLAN

*December 31, 2018 and 2017*

**NORTH STATE GROCERY, INC.**
**EMPLOYEE STOCK OWNERSHIP PLAN**

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CTC CAMPBELL TAYLOR & COMPANY ♦ An Accountancy Corporation
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Plan Trustees
North State Grocery, Inc. Employee Stock Ownership Plan
Cottonwood, California

**Report on the Financial Statements**
We have audited the accompanying financial statements of North State Grocery, Inc. Employee Stock Ownership Plan (the "Plan"), which comprise the statement of net assets available for benefits as of December 31, 2018, and the related statement of changes in net assets available for benefits for the year ended December 31, 2018, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**
Plan 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.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

**Basis for Disclaimer of Opinion**
As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by GreatBanc Trust Company, the trustee of the Plan, except for comparing the information with the related information included in the 2018 financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of and for the year ended December 31, 2018, that the information provided to the plan administrator by the trustee is complete and accurate.

**Disclaimer of Opinion**
Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the 2018 Financial Statements paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion on the 2018 financial statements. Accordingly, we do not express an opinion on the 2018 financial statements.

**Emphasis of a Matter**
As explained in Note 2, the Plan is an Employee Stock Ownership Plan and invests in common stock of North State Grocery, Inc. valued at $49,899,119 and $36,298,679 as of December 31, 2018 and 2017, respectively. The fair value of North State Grocery, Inc. stock is determined by the plan Trustee based on an annual valuation of the common stock prepared by an independent appraiser. However, because of the inherent uncertainty of the valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

**Other Matter – Supplemental Schedule**
The supplemental schedule of assets held at end of year as of December 31, 2018, is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on the supplemental schedule.

**Other Matter – 2017 Financial Statements**
The financial statements of the plan as of December 31, 2017 were audited by predecessor auditors. As permitted by 29 CFR 2520.103-8 of the DOL's Rules and Regulations for Reporting and Disclosure under ERISA, the plan administrator instructed the predecessor auditors not to perform, and they did not perform, any auditing procedures with respect to the information certified by the trustee. Their report, dated October 11, 2018, indicated that (a) because of the significance of the information that they did not audit, they were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and accordingly, they did not express an opinion on the financial statements and (b) the form and content of the information included in the financial statements other than that derived from the information certified by the trustee, were presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

**Report on Form and Content in Compliance with DOL Rules and Regulations**
The form and content of the information included in the 2018 financial statements and supplemental schedule, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Campbell Taylor & Company
An Accountancy Corporation

Roseville, California
October 14, 2019

**NORTH STATE GROCERY, INC.**
**EMPLOYEE STOCK OWNERSHIP PLAN**

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2018 and 2017

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Allocated | Unallocated | Total | Allocated | Unallocated | Total |
| ASSETS: | | | | | | |
| Investments, at fair value: | | | | | | |
| North State Grocery, Inc. common stock | $ 43,518,779 | $ 6,380,340 | $ 49,899,119 | $ 30,110,248 | $ 6,188,431 | $ 36,298,679 |
| Money market funds | 2,442 | - | 2,442 | 92,115 | - | 92,115 |
| Total investments | 43,521,221 | 6,380,340 | 49,901,561 | 30,202,363 | 6,188,431 | 36,390,794 |
| Receivables | | | | | | |
| Employer contributions | 461,827 | - | 461,827 | 433,534 | - | 433,534 |
| Other receivables | 1,026 | - | 1,026 | 1,142 | - | 1,142 |
| Total receivables | 462,853 | - | 462,853 | 434,676 | - | 434,676 |
| Total assets | 43,984,074 | 6,380,340 | 50,364,414 | 30,637,039 | 6,188,431 | 36,825,470 |
| LIABILITIES: | | | | | | |
| Administrative expenses payable | 2,078 | - | 2,078 | - | - | - |
| Loan payable | - | 471,804 | 471,804 | - | 608,959 | 608,959 |
| Total liabilities | 2,078 | 471,804 | 473,882 | - | 608,959 | 608,959 |
| Net assets available for benefits | $ 43,981,996 | $ 5,908,536 | $ 49,890,532 | $ 30,637,039 | $ 5,579,472 | $ 36,216,511 |

The accompanying notes are an integral part of these financial statements.

**NORTH STATE GROCERY, INC.**
**EMPLOYEE STOCK OWNERSHIP PLAN**

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the Year Ended December 31, 2018

| | Allocated | Unallocated | Total |
|---|---|---|---|
| ADDITIONS TO NET ASSETS: | | | |
| Investment income: | | | |
| Net appreciation in fair market value | | | |
| North State Grocery, Inc. common stock | $ 11,281,751 | $ 2,318,689 | $ 13,600,440 |
| Allocation of 4,381 shares of North State Grocery, Inc. common stock | 2,126,780 | - | 2,126,780 |
| Interest income | 5,269 | - | 5,269 |
| Total investment income | 13,413,800 | 2,318,689 | 15,732,489 |
| Employer contributions: | | | |
| Cash | 1,442,858 | 179,782 | 1,622,640 |
| Total additions | 14,856,658 | 2,498,471 | 17,355,129 |
| DEDUCTIONS FROM NET ASSETS: | | | |
| Benefits paid to participants | 1,509,623 | - | 1,509,623 |
| Interest expense | - | 42,627 | 42,627 |
| Administrative expenses | 2,078 | - | 2,078 |
| Allocation of 4,381 shares of North State Grocery, Inc. common stock | - | 2,126,780 | 2,126,780 |
| Total deductions | 1,511,701 | 2,169,407 | 3,681,108 |
| Net increase | 13,344,957 | 329,064 | 13,674,021 |
| Net assets available for benefits, beginning of year | 30,637,039 | 5,579,472 | 36,216,511 |
| Net assets available for benefits, end of year | $ 43,981,996 | $ 5,908,536 | $ 49,890,532 |

The accompanying notes are an integral part of these financial statements.

## *NOTE 1:* DESCRIPTION OF PLAN

The following description of the North State Grocery, Inc. Employee Stock Ownership Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan document for additional information.

### General

The North State Grocery, Inc. Employee Stock Ownership Plan became effective January 1, 2006 to provide retirement benefits for employees of North State Grocery, Inc. (the "Company"). The Plan operates as a leveraged employee stock ownership plan (ESOP) and 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. The plan is administered by an Employee Benefits Committee comprising of up to three people appointed by the Company's Board of Directors. GreatBanc Trust Company serves as the Plan's trustee.

In 2006, the Plan purchased Company common shares using the proceeds of a loan from the Company, and holds the stock in a trust established under the Plan. As the Plan makes debt payments of principal and interest, an appropriate percentage of stock is allocated to eligible employees' accounts in accordance with the applicable regulations under the Code.

The borrowing is collateralized by the unallocated shares of common stock and is guaranteed by the Company. The Company has no rights against shares of common stock once they are allocated to participants in accordance with the terms of the ESOP. Accordingly, the financial statements of the Plan as of December 31, 2018 and 2017 and for the year ended December 31, 2018 present separately the assets and liabilities and changes therein pertaining to 1) the accounts of employees with vested rights in allocated stock (allocated), and 2) common stock not yet allocated to employees (unallocated).

### Plan Year

The Plan year begins January 1st and ends December 31st.

### Eligibility

Employees age twenty (21) years or older are eligible to participate in the Plan once they have completed one year of service in which at least 1,000 hours are worked. Participants must complete at least 1,000 hours of service during the Plan year, and be employed as of the last day of the Plan year, to be eligible for an allocation of the Company's stock for such year.

### Contributions

The Plan allows for the following types of contributions:

- *Employer Contributions*
  The Company may make contributions to the ESOP portion of the Plan in either cash or Company stock as determined by the Board of Directors. Each year, the Company must make a contribution in the amount necessary to discharge any indebtedness payable during the following plan year in connection with the financed purchase of Company stock. The Company made cash contributions of $1,160,813 in 2018.

*NOTE 1:* **DESCRIPTION OF PLAN (Continued)**

- *"Safe Harbor" 401(k) Matching Contribution*
  The Company may declare "Safe Harbor" 401(k) matching contributions in accordance with certain rules of the Code. Contributions are made to the ESOP on behalf of each employee participating in the Company's 401(k) plan. The "Safe Harbor" matching contribution is an amount equal to 100% of elective deferral contributions up to 4% of the employee's eligible compensation. The Company made "Safe Harbor" 401(k) matching contributions of $461,827 in 2018.

**Vesting**
If a participant's employment with the Company ends for any reason other than retirement, permanent disability or death, the participant will vest in the balances in their account based on total years of service with the Company. Vesting is based on a 6 year graded schedule with participants becoming 20% vested after 2 years of service and an additional 20% each year thereafter. Participants are 100% vested after six years of credited service. Participants must have 1,000 hours of service in a plan year to receive credit for a year of service.

**Forfeitures**
Forfeitures are the non-vested portion of a participant's account that is lost upon termination of employment. Forfeitures are retained in the Plan and are reallocated to eligible participants for the Plan year.

**Retirement**
Normal retirement under the Plan is age 65.

**Payment of Benefits**
Payment of benefits may be made at the following times under the Plan: 1) normal retirement; 2) termination of employment of the participant; or 3) death or disability of the participant. Distributions are made in cash. The amount to be distributed is based upon the account valuation immediately preceding the distribution. Distributions of Company stock include a "put option" that, if exercised, requires the Company to repurchase participant shares, which have been distributed under the terms of the Plan. Participants that have amounts that were transferred from the 401(k) plan may elect to receive a distribution of their 401(k) balance at age 59 ½.

**Stock Purchase Requirement**
Under federal income tax regulations the employer stock that is held by the Plan, and its participants, is not readily tradeable on an established market, or is subject to trading limitations, and includes a put option. The purpose of the requirement is to ensure that the participant has the ability to ultimately obtain cash. Pursuant to the Code and to preserve the Company's S Corporation status, the Plan document provides that the Company repurchase any shares of its stock distributed to participants for cash. The purchase price is representative of the fair market value of the stock.

**Participant Accounts**
The plan is a defined contribution plan under which a separate individual account is established for each participant. Each participant's account is credited as of the last day of each Plan year with an allocation of Company stock purchased by the Plan or contributed in-kind by the Company, including forfeitures of Company stock and stock dividends allocated to the participant's accounts. Allocations are based on a participant's eligible compensation, relative to total eligible compensation. Plan earning and expenses are allocated to each participant's account based on the ratio of the participant's account balance. Allocations of employer contributions and Plan forfeitures are based upon the relation of the participant's compensation to total compensation for the plan year. Matching 401(k) contributions are allocated based on the amount of a participant's 401(k) salary deferrals.

**Voting Rights**
Participants, excluding inactive participants, are entitled to exercise voting rights attributable to shares allocated to their accounts and are notified by the Trustees prior to the time that such rights are to be exercised. The Trustees are not permitted to vote any allocated shares for which instructions have not been given by a participant. The Trustees are required to vote any unallocated shares on behalf of the collective best interest of Plan participants and beneficiaries.

*NOTE 1:* **DESCRIPTION OF PLAN (Continued)**

**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 stock into investments which are more diversified. All participants of the Plan who are at least age 55, with at least 10 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 allocated shares in their account, less any shares previously diversified. In the sixth year the percentage increases to 50%. Participants who elect to diversify receive a cash distribution.

**Administrative Expenses**

Administrative expenses of the Plan are paid by the Plan or the Plan Sponsor, at the discretion of the Plan Sponsor.

**Plan Termination**

Although it has not expressed any intent to do so, the Company reserves the right to terminate the Plan at any time, subject to Plan provisions. Upon such termination of the Plan, participants become fully vested in their accounts and the interest of each participant in the trust fund will be distributed to such participant or his or her beneficiary at the time prescribed by the Plan terms and the Code. Upon termination of the Plan, the Employee Benefits Action Committee shall direct the Trustees to pay all liabilities and expenses of the trust fund and to sell shares of financed common stock held in the loan suspense account to the extent it determines such sale to be necessary in order to repay the loans.

*NOTE 2:* **SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Benefits**

Benefits are recorded when paid.

**Allocations**

The financial statements of the Plan present separately the assets and liabilities and changes therein pertaining to (a) the accounts of employees with rights in allocated stock ("allocated") and (b) stock not yet allocated to employees ("unallocated"), including shares that are committed to be released. Shares are released from collateral and become allocated generally in the period in which debt service is actually paid.

**Investment Valuation and Income Recognition**

Investments are reported at fair value and are non-participant directed. The investment in Company common stock is determined by the Plan trustee based on an annual valuation by an independent appraiser. The appraised value per share was $485 and $353, for a total appraised value of $49,899,119 and $36,298,679 as of December 31, 2018 and 2017, respectively. Because of the inherent uncertainty of the valuation, estimated fair value and appraised values for the investment in Company stock may differ significantly from values that would have been used had a ready market for such investments existed.

Net appreciation in the fair value of investment in North State Grocery, Inc. common stock in the accompanying Statement of Changes in Net Assets Available for Benefits represents the change in unrealized appreciation from one period to the next.

**Concentration of Credit Risk**

The Plan maintains cash in financial institutions which, at times, may exceed federally insured limits. The Plan has not experienced any losses in such accounts and the Plan Sponsor believes that the Plan is not exposed to any significant credit risk on cash.

*NOTE 2:* **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes**

The Plan obtained a favorable determination letter on November 15, 2017, in which the Internal Revenue Service (the "IRS") stated that the Plan is acceptable under Section 401 of the Code. The Plan has been amended since receiving the opinion letter, however, the Plan administrator believes the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Plan management evaluates tax positions taken by the Plan to recognize a tax liability or asset if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Plan management has determined that as of December 31, 2018 there are no uncertain tax positions taken or expected to be taken that would require recognition or disclosure in the financial statements. The Plan is subject to routine audits by taxing authorities and there are currently no audits for any tax periods in progress.

**Estimates and Assumptions**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

*NOTE 3:* **INFORMATION CERTIFIED BY THE TRUSTEE**

The following information included in the accompanying financial statements and supplemental schedule was obtained from data that has been prepared and certified as complete and accurate by the trustee, GreatBanc Trust Company, as of and for the years ended December 31, 2018 and 2017:

| | 2018 | 2017 |
|---|---|---|
| North State Grocery, Inc. common stock | $ 49,899,119 | $ 36,298,679 |
| Money market funds | $ 2,442 | $ 92,115 |
| Net appreciation in fair market value | | |
| North State Grocery, Inc. common stock | $ 13,600,440 | |
| Interest income | $ 5,269 | |

*NOTE 4:* **INVESTMENTS**

The Plan's investments in Company common stock at December 31, were as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Allocated | Unallocated | Allocated | Unallocated |
| North State Grocery, Inc. Common Stock: | | | | |
| Number of shares | 89,656 | 13,145 | 85,274 | 17,526 |
| Cost | $ 2,384,836 | $ 349,644 | $ 2,268,288 | $ 466,192 |
| Fair Value | $ 43,518,779 | $ 6,380,340 | $ 30,110,248 | $ 6,188,431 |

*NOTE 5*: **FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board (FASB) ASC 820 provides a framework for measuring fair value. That framework provides a three-tier hierarchy that prioritizes the inputs to valuation techniques used for measuring 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 as follows:

Level 1 - Inputs are unadjusted quoted prices for identical assets or liabilities that the Plan has the ability to access.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, model-based valuation techniques for which all significant assumptions are observable in the market, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs that are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

*Investment in Company Common Stock*: An annual valuation of the Company common stock is prepared by an independent appraiser. The Trustee of the Plan approves the fair value based on the annual valuation.

*Money Market Fund*: The fair value of the money market fund is based on quoted net asset value of the shares held by the Plan at year-end. The money market fund is valued at the daily closing price reported by the fund.

The following table sets forth by level within the fair value hierarchy, the Plan's financial assets that were accounted for at fair value on a recurring basis at December 31, 2018:

| | *Assets at Fair Value as of December 31, 2018* | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Company common stock | $ - | $ - | $ 49,899,119 | $ 49,899,119 |
| Money market fund | 2,442 | - | - | 2,442 |
| Total assets at fair value | $ 2,442 | $ - | $ 49,899,119 | $ 49,901,561 |

The following table sets forth by level within the fair value hierarchy, the Plan's financial assets that were accounted for at fair value on a recurring basis at December 31, 2017:

| | *Assets at Fair Value as of December 31, 2017* | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Company common stock | $ - | $ - | $ 36,298,679 | $ 36,298,679 |
| Money market fund | 92,115 | - | - | 92,115 |
| Total assets at fair value | $ 92,115 | $ - | $ 36,298,679 | $ 36,390,794 |

*NOTE 5:* **FAIR VALUE MEASUREMENTS (Continued)**

The following is a reconciliation of the beginning and ending balances for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended December 31, 2018 and 2017:

| | 2018 | 2017 |
|---|---|---|
| Company common stock, beginning of the year | $ 36,298,679 | $ 26,799,959 |
| Appreciation in Company common stock | 13,600,440 | 9,498,720 |
| Company common stock, end of the year | $ 49,899,119 | $ 36,298,679 |

*NOTE 6:* **LOAN PAYABLE**

In 2006, the Plan entered into a $2,128,000 term loan agreement with the Company. The proceeds of the loan were used to purchase the Company's common stock. Unallocated shares are collateral for the loan. The agreement provides for the loan to be repaid over 16 years. The loan bears interest at 7%. The scheduled amortization of the loan is as follows:

| Year Ending December 31, | |
|---|---|
| 2019 | $ 146,756 |
| 2020 | 157,028 |
| 2021 | 168,020 |
| | $ 471,804 |

*NOTE 7*: **RISKS AND UNCERTAINITIES**

The Plan invests in various investment securities which includes Company common stock. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

*NOTE 8*: **RELATED-PARTY AND PARTY-IN-INTEREST TRANSACTIONS**

As stated in Note 2**,** the Plan invests in the common stock of North State Grocery, Inc. Fees for certain administrative expenses are paid to service providers which are considered to be parties in interest. Fees paid by the Plan for administrative services are recorded in administrative expenses. These investments and transactions qualify as party-in-interest transactions which are exempt from the prohibited transaction rules of ERISA.

*NOTE 9*: **SUBSEQUENT EVENTS**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 14, 2019, the date the financial statements were available to be issued, and management has determined that no subsequent events have occurred that should be disclosed.

SUPPLEMENTAL SCHEDULE

**NORTH STATE GROCERY, INC.**
**EMPLOYEE STOCK OWNERSHIP PLAN**
**EIN: 68-0173691 / PLAN: 002**

SCHEDULE H, LINE 4i – SCHEDULE OF ASSETS HELD AT END OF YEAR
December 31, 2018

| (a) | (b) Identity of Issuer, Borrower, Lessor, or Similar Party | (c) Description of Investment | (d) Cost | (e) Current Value |
|---|---|---|---|---|
| * | North State Grocery, Inc. | Common Stock, 102,800 Shares | $ 2,734,480 | $ 49,899,119 |
| | Goldman Sachs Fin Sq Gov't Fund | Money Market Fund | 2,442 | 2,442 |
| | | Total Assets Held at End of Year | $ 2,736,922 | $ 49,901,561 |

* *Represents a party-in-interest*

## Schedule H, Line 4i
## Schedule of Assets (Held At End of Year)

Name of Plan:

► NORTH STATE GROCERY INC EMPLOYEE STOCK OWNERSHIP PLAN

Employer Identification Number:► 68-0173691

For plan year (beginning/ending):► 01/01/18-12/31/18 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 |
|---|---|---|---|---|
| * | North State Grocery, Inc. | 102,800.0000 shares of common stock | 2,878,449 | 49,899,119 |
| | | | | |
| * | Goldman Sachs Fin Sq Gov't Fund | money market | 2,442 | 2,442 |
| | | | | |
| | | | | |
| | | | |