STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION
25 CAPITOL STREET
CONCORD, NH 03301

CONSENT AGREEMENT
IN THE MATTER OF:

Hanover Consumer Cooperative Society, Inc.
C-2015-00000013

I. For purposes of settling the above-captioned matter, and in lieu of further administrative proceedings, the Hanover Consumer Cooperative Society, Inc. (hereinafter referred to as “HCCS”) has submitted an offer of settlement which the State of New Hampshire, Department of State, Bureau of Securities Regulation (the “Bureau”) has determined to accept. Accordingly, without admitting or denying the allegations contained herein, HCCS does hereby consent to the following undertakings and sanctions:

THE FACTS

1. HCCS is a Consumers’ Cooperative Association organized under N.H. RSA 301-A and was incorporated on June 7, 1937. HCCS’s principal office is located at 45 S. Park Street in Hanover, New Hampshire.

2. On July 13, 2015, the Bureau received a complaint against HCCS alleging, in part, that HCCS violated New Hampshire law in their distribution of patronage refunds in the form of class B stock without a fixed redemption date. Pursuant to this complaint, the Bureau initiated a formal investigation.

3. During the course of its investigation, the Bureau determined that pursuant to a membership vote in 2013, HCCS’s bylaws were amended to allow for patronage dividends to be issued in the form of class B shares. These class B shares were only redeemable when HCCS’s Board of Directors determined that HCCS had sufficient working capital to redeem the shares and set a redemption date. Thus, until such redemption date was set, there was no fixed redemption date for the class B shares. Since the vote in 2013, HCCS issued patronage refunds as part cash and part class B shares in one year, 2015. No class B shares have been issued in 2016.

4. The class B shares issued by HCCS were never registered with the Bureau and, the Bureau alleges, do not qualify for any exemption from registration outlined in N.H. RSA 421-B.
THE LAW

1. HCCS is a “person” within the meaning of N.H. RSA 421-B:2 XVI.

2. The class B shares issued by HCCS are securities under N.H. RSA 421-B:2, XX(a).

3. Pursuant to N.H. RSA 421-B:2, XIX, a “sale” includes the disposition of a security for value.

4. Pursuant to N.H. RSA 301-A:28, V, HCCS is permitted to issue patronage refunds part cash and part shares but that “such shares to be retired at a fixed future date, in the order of their serial number or date of issue.”

5. Pursuant to N.H. RSA 421-B:11, it is unlawful for any person to offer or sell any security in this state unless it is registered under this chapter, the security or transaction is exempted under RSA 421-B:17, or it is a federal covered security for which the fee has been paid and documents have been filed as required by paragraph I-a of this section. HCCS violated this provision by failing to register the class B shares issued and did not qualify for any exemption outlined in N.H. RSA 421-B. Further, the class B shares issued by HCCS are not federally covered.

6. Pursuant to N.H. RSA 421-B:22, IV, in any investigation to determine whether any person has violated or is about to violate this title or any rule or order under this title, the Secretary of State shall be entitled to recover the costs of the investigation, and any related proceedings, including reasonable attorney's fees, in addition to any other penalty provided for under N.H. RSA 421-B.

II. In view of the foregoing, HCCS agrees to the following undertakings and sanctions:

1. HCCS agrees that this Consent Agreement is entered into for the purpose of resolving only the matter as described herein. This Consent Agreement shall have no collateral estoppel effect in any other lawsuit, proceeding, or action, not described herein. Likewise, this Consent Agreement shall not be construed to restrict the Bureau’s right to initiate an administrative investigation or proceeding relative to conduct by HCCS which the Bureau has no knowledge of at the time of the date of final entry of this Consent Agreement.

2. HCCS agrees not to take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any allegation in this Consent Agreement or create the impression that the Consent Agreement is without factual basis. Nothing in this provision affects HCCS’s testimonial obligations or right to take any legal positions in administrative proceedings or in litigation, in which the State of New Hampshire is not a party.

3. HCCS agrees to propose an amendment to its Bylaws (and Articles of Agreement, as may be
appropriate) to allow and call for HCCS to offer new class B shares, having a fixed maturity date, to its existing class B shareholders in exchange for existing class B shares. Under such amended Bylaws and Articles of Agreement, any current class B shareholder who does not elect to have his or her existing class B shares exchanged or does not respond within a five-year period will have their existing class B shares cancelled. This proposed exchange will be well publicized to all members of HCCS on at least an annual basis over the five year period, including in HCCS’s regular newsletter to members, on HCCS’s website, and via notices sent to all current class B shareholders at their last known address. If any of the notices are undeliverable for any reason, HCCS will make a good faith effort to reach the member, including by e-mail to the last known e-mail address of the member. These proposed amendments to HCCS’s Bylaws and Articles of Agreement will be placed on the agenda and voted on during HCCS’s annual meeting of members in the spring of 2017. Should HCCS’s members fail to adopt the amendments to its Bylaws and Articles of Agreement to allow for the offer of new class B shares, having a fixed maturity date, to its existing class B shareholders in exchange for existing class B shares, then the Bureau may reopen this matter. Should the proposed amendment to HCCS’s Bylaws and Articles of Agreement pass, HCCS agrees to complete the share exchange within five years and sixty (60) days of the date of the change to the Bylaws and Articles of Agreement.

4. HCCS agrees, upon execution of this Consent Agreement, to pay the Bureau’s costs of investigation in the amount of Five Thousand Dollars ($5,000). Payment must be made by 1) business check, certified check, or postal money order; 2) made payable to the State of New Hampshire; and 3) mailed to the Bureau of Securities Regulation, Department of State, State House, Room 204, Concord, New Hampshire, 03301.

III. Based on the foregoing, the Bureau deems it appropriate and in the public interest to accept and enter into this Order. THEREFORE, IT IS HEREBY AGREED THAT:

1. HCCS pay the Bureau’s costs of investigation in the amount of Five Thousand Dollars ($5,000).

2. HCCS comply with all other undertakings outlined herein.

Executed this 18th day of November, 2016.

[Signature]

on behalf of HCCS

(Please print name below)

Anthony Z. Kushner
Entered this 1st day of December 2016.

Barry Glennon, Director
N.H. Bureau of Securities Regulation