DREAM.
BUILD.
GROW.

Do it Best Corp.

2016 ANNUAL REPORT

DREAM. BUILD. GROW.
WITH OUR UNWAVERING COMMITMENT.

Since 1945, Do it Best Corp. has been dedicated to helping our member-owners define their success and reach their goals. Our 3,800 independent locations come from all across the U.S. and 52 other countries, and they represent hardware retailers, lumber and building material dealers and industrial/commercial suppliers of all sizes. They know their markets and their customers best; we provide the quality products, proven programs and distribution excellence to help them grow their businesses. The member success stories captured within these pages highlight the many ways we've maintained our unwavering focus on our #1 goal: **Helping our members grow and achieve their dreams.**

Do it Best Corp.

2016 ANNUAL REPORT


DAMARISCOTTA
HARDWARE

FROM THE
CHAIRMAN

JIM LEHRER, CHAIRMAN OF THE BOARD

IT HAS BEEN A TREMENDOUS HONOR TO SERVE THE PAST TWO YEARS AS YOUR CHAIRMAN OF THE BOARD OF DIRECTORS. AS MY TERM AS BOARD CHAIR COMES TO A CLOSE, I AM MORE CONFIDENT THAN EVER THAT OUR CO-OP IS ON A FIRM FOUNDATION AND WELL POSITIONED FOR THE FUTURE. THIS IS NOT SOMETHING I SAY LIGHTLY, AND I'D LIKE TO SHARE WITH YOU WHY I BELIEVE THIS TO BE TRUE.

To begin, Do it Best Corp. continues to enhance its organization-wide culture that puts the interests of the membership first. It's clearly reflected in its commitment to providing the very best member-focused programs and services all with the lowest operating cost. This is then complemented by a highly efficient and accurate distribution system that is the envy of our industry. And most importantly, Do it Best Corp. is once again distributing rebates in excess of $100 million — for the 13th consecutive year!

Perhaps the most remarkable testament to the strength of Do it Best Corp. was this year's seamless transition in leadership. In January, Dan Starr succeeded Bob Taylor and became just the fifth President and CEO in the co-op's 70-year history. I have witnessed firsthand as Dan has risen to this occasion and continues to build on Bob's many accomplishments. Having previously served as COO, Dan takes a hands-on approach that is sure to serve the membership well.

I would also like to salute the co-op for its ongoing commitment to helping members strengthen the bonds with their customers and communities. As a small business owner, I have been very proud to see Do it Best Corp. support the Buy Local movement through sponsorship of Independent We Stand, Small Business Saturday and other locally-oriented initiatives. Across the country, awareness is growing of the value of supporting local, independent retailers, and members like you are on the front lines of this grassroots movement. Consider these facts from the Small Business Administration and Department of Labor:

- Small businesses employ 77 million Americans and accounted for 65% of all net new jobs over the past 17 years
- Independent retailers return more than three times as much money per dollar of sales to the local economy than big box competitors
- For every square foot a local company occupies, the local economy gains $179 versus $105 for a chain store

As momentum grows for buying local, it is an enormous opportunity for Do it Best members, and the co-op's 160+ menu-based programs are available to help you maximize that opportunity.

In my business, Brownsboro Hardware & Paint in Louisville, Kentucky, we have experienced firsthand the success of Do it Best Corp. programs in helping to strengthen customer relationships and cultivate loyalty. The extremely cost-effective ADpak℠ program puts our integrated communications on the same level as national chains and allows us to be more targeted and strategic with our marketing spend. ADpak is just one example of the co-op's customized approach that recognizes that each of us knows what works in our market and what is best for our business.

Most importantly, Do it Best Corp. Retail Performance programs assist us in utilizing our market knowledge and becoming the very best retailer for our community. The co-op gives us access to financing opportunities, advantageous dating and the buying power of a $3 billion company. Plus, industry-leading rebates allow us to continually invest in the growth of our business.

As you can tell, I am passionate about being a Do it Best member and all of the ways the co-op helps me serve my community and foster pride in our hometown. Indeed, when customers buy local, everyone wins — and each Do it Best member can take pride in helping to bring that core value back to our communities for the next generation.

I am truly inspired by the success stories you'll see in the pages that follow, and I salute these members for their accomplishments. They provide shining examples of how Do it Best Corp. empowers each of us to grow and achieve our dreams.

Thank you again for the opportunity to serve you, and I wish you all the best in the year ahead.

FROM THE

PRESIDENT

DAN STARR, PRESIDENT AND CEO

A YEAR OF MEETING CHALLENGES AND EXCEEDING MILESTONES.

As we close out this year, it's natural that we'd take a look back at our successes and challenges as we moved through Fiscal Year 2016. But even more importantly, our long-term growth requires us to be looking ahead as we build an even stronger future for independent home improvement businesses.

For the last 15 years, Do it Best Corp. and its members have been blessed by the servant leadership of President and CEO Bob Taylor. Perhaps the best compliment I could pay him as he concluded his extensive career in our industry is that the transition was so seamless it was practically imperceptible. That didn't happen by accident. It took foresight and considerable planning and we have all benefited from his guidance and wisdom along the way. In fact, I left my career in corporate law to join Do it Best Corp. in 2005 because I was so impressed and inspired by the culture of this great company — which is a direct reflection of Bob's lifelong commitment to serving others. I worked alongside him for 10 years, and I am both honored and humbled to succeed him as President and CEO as we continue to deliver on our #1 goal of helping our members grow and achieve their dreams.

This year was certainly not without its challenges, though. Impacted by a number of external factors, including unseasonal weather and tight market conditions, our industry worked through continued economic uncertainty. Through all of this, however, we achieved another solid financial performance for our member-owners, reaching an impressive milestone with $3.02 billion in total sales. Our success here included a companywide focus on helping our members capture a greater share of the LBM market to offset lumber pricing deflation, and we continued to hone our industry-low cost of operations, finishing at just 2.20%. As a result, our year-end member rebate exceeds $100 million for the 13th consecutive year.

Accompanying our financial performance for 2016 was a relentless focus on building upon our foundation for strategic growth. We enhanced our Retail Performance programs and incentives to lower costs and put store improvement projects within reach for more members. We had a record number of store improvement projects completed this year, and it's just the beginning for what is scheduled in the year ahead. We know that Do it Best Corp. has no rival when it comes to helping members achieve their full sales potential, and we are determined to maximize that advantage for everyone as we move forward.

We made a number of important changes and enhancements to product category offerings, including our exclusive Channellock® branded products, Philips and SATCO lighting, Do it Best Quality Paints™ and more to increase our members' margins and overall profitability. In every case, we were mindful of the impact on our members' businesses and worked very hard to minimize the resources required to implement new programs, while optimizing the opportunity for an immediate positive impact.

We also continued our efforts to strengthen our infrastructure with investments in IT and our retail service center operations that increased our efficiency and further enhanced our distribution excellence. I am pleased to add that throughout the organization, while we went about improving our operations, we did it more safely than ever before, with the lowest incident rate in our company's history.

In the year ahead, we are committed to reinvesting in the engine that drives our performance with new technology for product and transportation management that will provide even greater efficiencies and agility as we work to better serve our members.

Change has certainly accelerated within our industry, and everyone at Do it Best Corp. recognizes the need to embrace it more quickly than ever before if we're to take full advantage of new growth opportunities. I am confident that our service-driven culture will help us change and adapt in ways that our competitors simply cannot.

I'd like to thank the entire team at Do it Best Corp. for making our leadership transition a success and for their eagerness to find new ways to better serve our members. We have worked hard to assemble a deep bench of talent, and we will continue to strengthen it by ensuring that Do it Best Corp. is a great place to work.

Ultimately, there is only one yardstick by which we will measure our success in the year ahead and it lies in our ability to help you grow and achieve your dreams. Working with such a diverse membership is a key part of what makes us unique, and there is nothing more rewarding for our team than exceeding your expectations and helping you grow your business profitably.

In this annual report you will read some remarkable stories shared by your fellow members detailing how they were able to dream, build and grow through their partnership with Do it Best Corp. Thank you for the support you've shown your co-op and we look forward to growing with you in the year ahead.

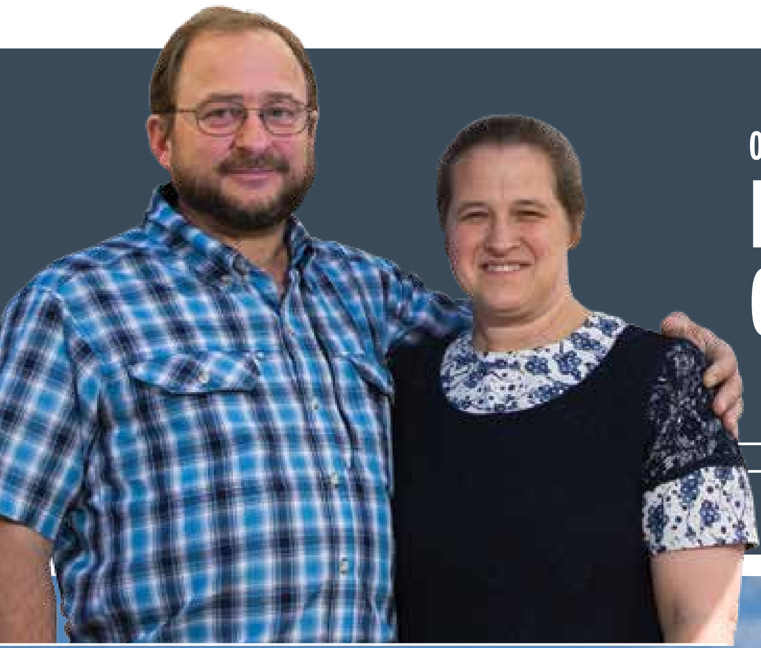
Bob Taylor
President Emeritus

AN ENDURING LEGACY OF SERVICE.

Bob Taylor's retirement in 2016 concluded a highly respected and distinguished 40-year career in the home improvement industry. Prior to leading Do it Best Corp. as only the fourth President and CEO in our history, he served as President of Taylor's Do it Centers® in Virginia. During that time, he was also an active member of our board of directors, including two years as board chairman.

Throughout his career, Bob has shown tireless support for civic and charitable causes, and he has truly been a champion of independent entrepreneurs. We are tremendously grateful to Bob for the many successful member-focused programs and initiatives he oversaw, as well as for his stewardship in maintaining our outstanding fiscal strength – including an unprecedented period of consistently high industry-leading member rebates.

Bob will continue to be an ambassador for this great company as President Emeritus, a title bestowed on him by the board of directors that allows him to continue sharing the Do it Best success story with members and prospects all around the world.



OUR GROWTH IS DRIVEN BY

RESPONDING TO THE NEEDS OF OUR COMMUNITY.

PRO X HOME CENTER

Jeff and Yolanda Brubaker

Bonners Ferry, Idaho Members since 2009

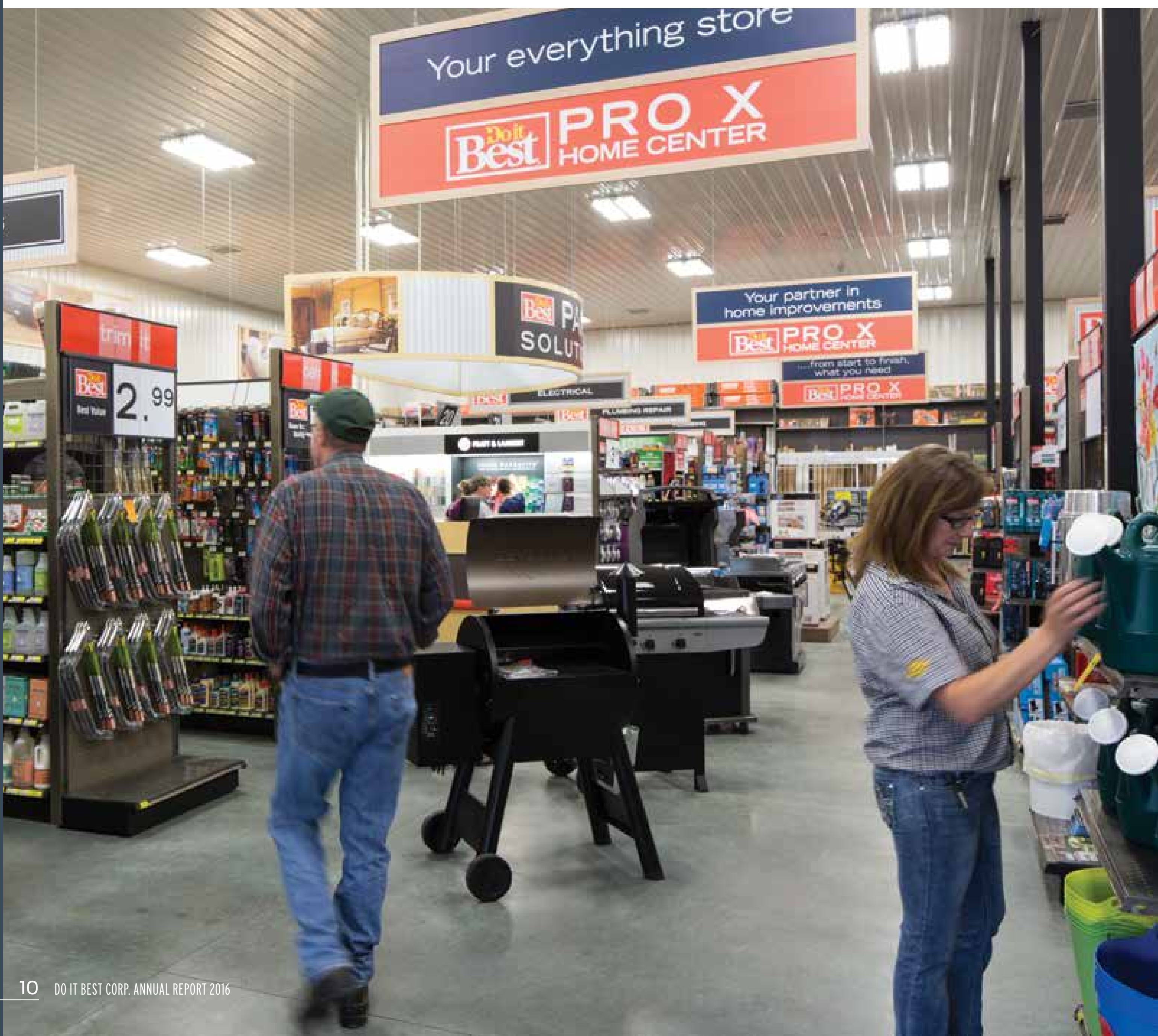

RATCHETS SOCKETS WRENCHES


Do it Best
PRO X
HOME CENTER
LUMBING
ELECTRICAL

The all-new Pro X Home Center is not just an achievement for our family, but an accomplishment for our entire community of customers throughout northern Idaho and stretching into Canada. Our company started humbly back in 2004 as a home-based business building carports. As we brought in roofing and lumber supplies necessary for the business, contractors began asking us to stock additional supplies for them. Over time, both our business demands and contractor requests continued to expand, and before long, we were stocking hardware and making deliveries to job sites.

We had always heard very positive feedback about Do it Best Corp., so when it was time to plan for more aggressive and intentional growth, we knew we'd have a great partnership. Our first Pro X store was in a facility we had purchased from a local competitor. The interior was very chopped up, limiting its potential as a retail space, so we acquired adjacent property and started working with the Retail Performance and Signature™ Store Design teams to plan an entirely new store.

WE RELIED ON THEIR STORE DESIGN EXPERTS TO CREATE THE BEST-MERCHANDISED AND MOST EASILY SHOPPABLE STORE POSSIBLE.



We relied on their store design experts to create the best-merchandised and most easily shoppable store possible. In the time leading up to completion, the Do it Best Corp. team was frequently in the store to make sure it all got done right. As we were doing the final merchandising, our territory manager and others went above and beyond and stayed late into the night to help us set every four-foot section. So many people from Do it Best Corp. came out here to contribute their time, talent and expertise to the project…it truly demonstrated the co-op's commitment to helping members grow and achieve their dreams.

The new Pro X Home Center had its grand opening on April 1 of this year. The community response was overwhelming, and the positive momentum has continued each month. With the old store, we averaged 350 tickets a day, and we're now exceeding 500 nearly every day. People are amazed at all the products we have available, as we added or expanded many categories, including the exclusive Channellock® branded products, lawn and garden supplies, Echo® tools and more. Customers used to run in and out of our old store — now they grab a cart and shop leisurely, even gathering in the center of the store, drinking coffee and talking with friends.

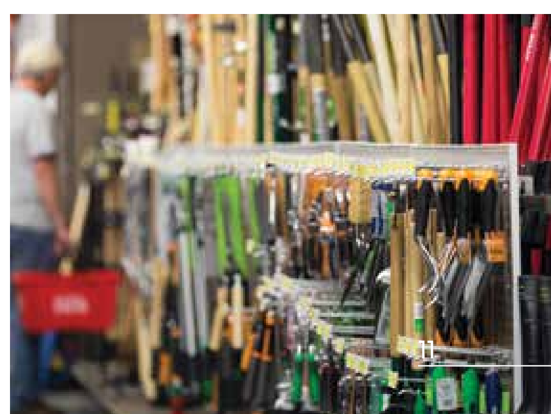
Whenever we're asked about Do it Best Corp., we talk about the amazing relationship we have with our territory manager. When we have questions, he's not only got the answers but consultative advice to make our business better. It's a true partnership that has allowed us to expand to meet the needs of our community. With support from Do it Best Corp., we're able to offer much more than our customers could ever imagine. They helped us see our potential, and then did everything — and more — to help us realize it.

JASON DAHL
Territory Sales and
Business Development Manager

Do it Best Corp.

I hold tremendous respect for Jeff Brubaker and his family for their total commitment to serving their neighbors in northern Idaho. This has been demonstrated in a number of ways as their business has evolved. And when their customers called for a local source for home improvement products, the Brubakers didn't hesitate to invest in their community once again. Jeff had a strong vision for this business, but needed expert guidance to make it real. That's where his membership in Do it Best Corp. really paid off.

Selecting from over 160 customizable programs and services, we've worked closely with the entire family to realize their vision for a destination shopping experience that wows customers and meets their diverse needs. Our team is proud to have played a significant role in supporting the Brubakers and following through on our goal of helping members grow and achieve their dreams.



OUR CONTINUED SUCCESS DEPENDS ON STRONG GROWTH, AND

DO IT BEST CORP. IS THE KEY TO MAKING THAT HAPPEN.

RANDOLPH DO IT BEST® HARDWARE
Susan Geyer and Rob Gardiner
Randolph, Maine   Members since 1999

Our parents started Damariscotta Hardware in 1955, and throughout our history we have continually pursued opportunities for growth. Along with our siblings, we took over in 1996, and in 1999 we left our previous co-op to join Do it Best Corp. because we felt they were better aligned to support our aggressive growth strategies. That choice was immediately validated through the successful opening of a new, larger store a half-mile up the road in 2001.

After continued growth there, we realized it was not possible to continue to expand in Damariscotta, so with guidance from Do it Best Corp., we began to evaluate other towns for a second location. It was a thorough process because we wanted to get it just right. One day we were in Randolph, 27 miles away, and spotted a lot on a corner with high traffic volume. Do it Best Corp. took it from there — executing a market analysis to gauge the retail potential and helping us navigate the many detailed steps in acquiring the property and establishing a ground-up store. The Retail Performance Loan Program provided a tremendous boost to our growth with its extremely favorable terms.

We knew we wanted to utilize the Signature™ Store Design program to create the best possible store in the market. We're also huge fans of Do it Best Corp. exclusives, such as the high quality, professional line of Channellock® branded products. Our goal for the new store was to provide everything a contractor would need to complete a project, so we went heavily into fasteners, paint, electrical and plumbing, as well as Milwaukee® and Stihl®.

THE RETAIL PERFORMANCE LOAN PROGRAM PROVIDED A TREMENDOUS BOOST TO OUR GROWTH WITH ITS EXTREMELY FAVORABLE TERMS.

We opened in 2015, and we're very pleased with our sales so far, especially since we've had to grow customers from scratch in a location that didn't have a store. Do it Best Corp. helped us there, too, by developing a marketing game plan, and the ADpak℠ circulars with Flex pages are proving very effective in driving traffic. The Best Rewards℠ customer loyalty program has also really taken off, and that's helped us establish solid relationships with our most frequent shoppers.

Our two stores are known for being brighter and cleaner, a philosophy that traces its roots back to the very first Do it Best market we attended. The focus at that market was on attracting female shoppers with a clean, well-lit store with wide, shoppable aisles. That approach really stuck with us, and it's become an integral part of our company's brand. But that's just one example of what we believe gets to the heart of what it means to be a Do it Best member-owner. Whether it's attending a market, taking advantage of ongoing retail education, or simply talking with our territory manager, Do it Best Corp. is always bringing us great ideas and best practices to help us grow and expand our family business.

WHAT SETS DO IT BEST CORP. APART IS THEIR
GENUINE COMMITMENT TO HELP US GROW.

CAPPS HOME BUILDING CENTER
Bruce Shelton
Moneta, Virginia Member since 1996


ELECTRICAL
Capps
HOME BUILDING CENTER
PAINT
DOORS & WINDOWS
LUMBER HARDWARE

For nearly 38 years, Capps Home Building Center served as an accommodating supplier of building materials to area contractors, with little attention paid to our retail strategy. Since the store relocated in 1998, we've had the good fortune of our community growing up around us, and with that growth it became increasingly obvious that our 8,800 square feet of retail space was not meeting the demands of our market. Through the experienced guidance from the Do it Best Corp. team, we realized we were missing a huge opportunity for growth. So we embarked on a two-phase RetailSTART!® project. One year after completion, we now have 18,000 square feet of retail space, and our retail business is up more than 25%.

WE'VE ALWAYS BEEN STRONG SUPPORTERS OF DO IT BEST CORP. BECAUSE OF THE QUALITY OF THE TEAM.

I don't even want to imagine what it would have been like trying to do this project with any co-op other than Do it Best Corp. As plans were made for the expansion, we were committed to maintaining the existing aesthetics of our storefront, and not reflecting a "bolt on" addition. The Do it Best Signature™ Store Design team was instrumental in ensuring that the new space was fully integrated into our façade.

We also wanted to stay open throughout construction, and Do it Best Corp. supported that goal by managing the logistics as our huge amount of new inventory began to arrive.

Our co-op also provided tremendous insight for merchandising opportunities we never would have expected. Based on the market research they did, we not only added new categories, but we expanded our presence in categories like plumbing and electrical, where we've seen very strong growth. I can't say enough about the commitment of the Retail Performance team. They were here working alongside us stocking products and demonstrating a true partnership — in every sense of the word — to ensure our project was a success.

With the first expansion, we now have an impressive design showroom, and sales in that area are up 26%. The second phase added a 3,500-square-foot lawn and garden area, along with a 2,000-square-foot attached greenhouse, that has taken our outdoor product selection to a whole new level.

We've always been strong supporters of Do it Best Corp. because of the quality of the team and how seriously they take their commitment to their members. I tell others in the industry that if they want to grow their business, they need to join Do it Best Corp. because it's the only co-op with the dedicated people and the proven programs to help you succeed.

CHUCK HANSON
Territory Sales and
Business Development Manager
Do it Best Corp.

From the very start, Bruce recognized the potential in the rapidly changing market surrounding Capps. He knew if things were done right, the business would see great results. Although his objectives presented complex challenges, our teams worked seamlessly throughout from financing to inventory to store design. Members like Bruce, who know their brand and are fully engaged with the dynamics of their communities, can truly achieve their dreams.

OUR FAMILY IS EVEN BIGGER WITH

DO IT BEST CORP. BY OUR SIDE.

From left to right: Eric and Robin Smith, Dennis and Sherry Bishop

PETERSBURG DO IT BEST® HARDWARE

The Bishop Family   Petersburg, Indiana   Members since 2000

Petersburg Hardware was built in the early 1900s on Main Street in the center of Petersburg, Indiana. We bought the store in 1995, and immediately began to struggle with its small size, chopped up floorplan and limited parking. It simply wasn't a good place to shop, so we were the emergency get-in-and-get-out store. In 2000, we left our previous co-op and joined Do it Best Corp., and that decision was the catalyst that has helped us realize our dream of growing the business for our next generation.

A tremendous opportunity arose last year when a chain store left town that was at a prime site by a newly opened segment of a major highway. We took advantage of the Retail Performance Loan Program and RetailSTART!® to acquire the location and begin planning for our new location. The Do it Best Corp. team conducted a comprehensive survey that helped us understand what our customers wanted and identified new merchandising opportunities. From there, we set about transforming our business from its cramped 6,000 square feet to a beautiful new 28,000-square-foot shopping destination.

This project was truly a family affair, and the team from Do it Best Corp. quickly became an extended part of that family. With a February 1 soft opening, they worked through the holidays to get us set up and merchandised. We introduced thousands of new items and new categories, including farm and ranch, major appliances, pet supplies, lawn and garden, work clothes, home décor and more.

To say that the community has embraced us would be a huge understatement. We kicked off a month-long grand opening on April 1 and hit our sales goal for the day before 10 am. In just the first few months of operation in the new location, our sales are strong, solidly beating projections. We're already up 132% over previous years, and transaction totals are up 82%.

Now that we have a welcoming and shoppable store, we're really seeing the benefit of so many Do it Best Corp. retail programs. Our ADpak℠ circulars and marketing components are performing very well, and new Best Rewards℠ loyalty card memberships are off the charts.

Our success is a testament to what can happen when you serve your community and invest in meeting their needs. Every day, people tell us how glad they are to be able to get what they need without having to drive to another town. They're seeing what we are accomplishing, and it's our hope that it will inspire others to invest in our community so our next generation will thrive. We keep coming back to the word family because we started this business as a family, and will keep it going as a family. Do it Best Corp. showed us their commitment to helping us realize our dream, and through it all, they became our family, too.

Alison (second from left) joined other Do it Best Corp. staff to celebrate Petersburg's grand opening with the Bishop family.

ALISON FARRINGTON
Retail Performance Manager

Do it Best Corp.

It was clear from the beginning how much the Bishop family wanted this new store, not just for themselves, but for their community. We worked to make sure our team met or beat all our deadlines for inventory, fixtures and signage, while we coordinated with outside vendors and set up training. We suggested new product categories to help the store compete against area chain stores and to give customers more opportunities to shop locally. It's great to see the pride the whole family shows in their new store and the renewed enthusiasm they express for the future of their business. Helping our members grow and achieve their dreams - that's the best part of our job!

WHEN WE SOUGHT AN INTERNATIONAL PARTNER TO HELP US GROW,

WE FOUND THE COMPLETE SOLUTION WITH DO IT BEST CORP.

ATTKEN DO IT CENTER®

Mishal Albawardi

Dammam, Saudi Arabia   Member since 2015


39.95
35
29.95


en
Center.
Paint
Housewares
Home Decor
Outdoor Living
Lawn & Garden


Attken
Doit Center


Houseware
Bakeware
11
Appliances
Kitchen Gadgets
10
Cookware
Dinnerware
9
BLACK&DECKER
PHILIPS

I'm the third generation leader of Albawardi Group, a family-owned company in Saudi Arabia. We trace our business roots back to a bus service company founded by my grandfather and his brother back before roads were even paved. In the early 1960s, the company diversified with the trading of electrical home appliances we sourced throughout Western Europe We then saw additional growth opportunities as a contractor supplier for tools and hardware in the 1980s. Today's Albawardi Group is a large business spanning trading ventures, industries, services, real estate and investments.

Throughout all of our company's growth, the one area we had not expanded into was retail sales. As I began to explore ways to interact directly with these customers, I looked for a partner who could provide a complete retail solution from start to finish. We met with Do it Best Corp. in early 2014, and we were immediately impressed with how closely they aligned with our goals for a new business. They were transparent about their industry-low operating costs and high member rebate — things that meant a lot to us. We know our market very well, but what we needed was retail expertise. We wanted a partner who could help us expand into retail sales by doing things the right way.

We were also very impressed by the Do it Best Corp. team who is dedicated exclusively to international members. They walked us through every detail from marketing and

AS A PARTNER IN OUR SUCCESS, DO IT BEST CORP. HAS SURPASSED MY GREATEST EXPECTATIONS.

merchandising to logistics, IT and more. We chose the Do it Center® store design because we wanted to create an eye-catching flagship store with a layout to drive sales. What I didn't expect as a new member was just how committed Do it Best Corp. was to help us succeed. Their merchandising experts spent weeks in the store, taking care of every detail and resolving any issues that came up, no matter how small. And the support isn't stopping with our grand opening — we continue to receive ideas and advice from our Do it Best Corp. team. It's just a great relationship.

When we ventured into retail sales, our strategic goal was to focus on customer service and provide every shopper with a superior retail experience in Saudi Arabia. As a partner in our success, Do it Best Corp. has surpassed my greatest expectations, and I'm even more confident in our ability to open three new stores every year as we expand into other cities across our country. Yes, it's an ambitious plan, but with Do it Best Corp. at our side, I have no doubts about our ability to succeed and grow.

DAVID MCDONALD
Global Sales and Product Development Manager
Do it Best Corp.

Mishal and the Attken Do it Center® team have an impressive business sensibility and a commitment to doing things the right way. In looking for a retail partner, they were especially drawn to us for our sophisticated capabilities in product distribution. They relied on us for expert procurement support, and they're taking full advantage of our exclusive international vendor programs and comprehensive sourcing opportunities. The "Wow!" factor when you walk into their well-stocked flagship store really speaks for itself.

TOM BARFELL
Director of International Sales and Business Development
Do it Best Corp.

When we first met the Albawardi family, there was an immediate level of mutual trust and respect between us. And that's the key for a true partnership. Their family has a strong track record of running tremendously successful companies throughout Saudi Arabia, and they share our values of fiscal responsibility and a supportive work environment. They relied on us for our retail expertise, and as we studied their culture and market potential, we developed a comprehensive action plan to guide their success. They have followed our recommendations completely, and with a long-term commitment to growth through additional locations, they're poised for sales dominance in their country.

WHEN TRAGEDY STRUCK,

DO IT BEST CORP. HELPED US COME BACK EVEN STRONGER.

ANCHOR LUMBER

Alex McGehee Silvis, Illinois Member since 1978

On August 3, 2015, my biggest fear as a business owner played out when the hardware side of our business went up in flames. A discarded cigarette ignited the building and burned it to the ground. But what could have put an end to our second-generation family business actually made us stronger. With the support of the Do it Best Corp. team, we were able to reopen just three months later.

My dad started Anchor Lumber back in 1962, and we joined Do it Best Corp. in 1978. I always knew I wanted to be a part of the business, and in 1995, I purchased it from my dad. Even though most of our volume has come from providing lumber and building materials to professional contractors, many in the community only knew us as a hardware store. The fire changed everything.

Our small town is part of the larger Quad Cities, and the news of the fire was everywhere, even on CNN. The fire crews struggled to keep it under control. By the time it was over, 8,000 square feet of our retail sales floor was wiped out, and the rest of the building was a total loss from smoke and water damage.

The Do it Best Corp. team was onsite right away. I told them I wanted to rebuild as quickly as possible, and they didn't hesitate to take action. We gutted the remaining structure and remerchandised 20,000 square feet. With a solid plan and everyone's determination, we reopened the hardware store by the end of November. I chose the Signature™ Store Design program, which gave us a fresh new look along with updated fixtures and service areas.

Customers love our new store, and that fire brought another silver lining. Because of the extensive news coverage, we're getting new customers every day. It meant a lot to our community that our employees didn't lose even an hour of work, and I think that loyalty speaks volumes to people when they're choosing where to shop.

Do it Best Corp. has always been a strong partner for both my dad and me in growing our business. But that relationship really kicked into high gear as they shared my determination to become better than ever. Simply put, when it mattered most, I couldn't have a better partner to help grow my business than Do it Best Corp.

DAVE WIGENT Regional Store Designer Do it Best Corp.

Alex was emphatic about wanting to get the new store up and running as quickly as possible, and we responded by doing everything possible to help make it happen. He had strong ideas, but he was also very receptive to our suggestions for new ways to grow retail performance. Through collaboration we developed a design that not only provided more space for contractor-focused services, but also opened up the sight lines to the new retail store and all its expanded product categories. We also updated the store's exterior, streamlining the entrance and signaling that Anchor Lumber was back and better than ever.


PLUMBING
ANCHOR
LUMBER
HARDWARE
PAINT
LUMBER


75
Do it Best


KITCHEN DESIGN


5

INCOM DISTRIBUTOR SUPPLY EMPOWERS US TO

COMPETE WITH NATIONAL CHAINS AND CONTINUALLY PROVIDES NEW OPPORTUNITIES TO GROW.

MHS INDUSTRIAL SUPPLY

Phil and Ann Downs   Mansfield, OH   Members since 2010

Our industrial maintenance business was founded back in 1940, and when Ann's father returned from World War II, he started there and eventually ran the company until 1982, when we took over. Four years ago, our son Brad started with us, and we came to realize that the most important part of a succession plan is putting your business in a good place to grow. Thanks to our relationship with INCOM Distributor Supply℠, we were fortunate to recently celebrate our 75th anniversary with a fresh start in a new location.

We joined INCOM in 2010, after becoming frustrated with our previous co-op's lack of focus on serving industrial-commercial members. From the start, we were attracted to the fact that Do it Best Corp. is very well positioned financially. In addition, INCOM gives us access to a tremendous amount of product, so we never have to tell our customers we can't get something they need. Most importantly, INCOM is a real partner in my business' success. People listen, people care. They want to know what we think and how things are going. And you can bet if there's an issue with a vendor, they're on it. It's just a completely different atmosphere.

From its founding, MHS was located in a three-story building in downtown Mansfield, which used to be at the center of activity. Over time, the community shifted and there was nothing left around us — so we began to

THANKS TO OUR RELATIONSHIP WITH INCOM DISTRIBUTOR SUPPLY, WE WERE FORTUNATE TO RECENTLY CELEBRATE OUR 75TH ANNIVERSARY.

look for a new location. In January 2015, we opened a 42,000-square-foot facility in a thriving industrial park. Leveraging the strengths of Do it Best Corp., we now have an expanded showroom, including a 24-foot wall of Milwaukee® tools. With guidance from our INCOM team, we continuously look for niche areas that will give us an edge over the national chain stores and help us take advantage of increased walk-in traffic.

We were proud to be selected by the U.S. Chamber of Commerce as a 100 Blue Ribbon Award® winner as part of the DREAM BIG Small Business of the Year Award — recognizing companies for their business practices and community involvement. People in our area really see the value in supporting local businesses, and we're noticing that same appreciation from the younger generation, too. Just as with our relationship with INCOM, it's all about loyalty. We know that if we take care of our customers and our community, they'll be loyal to us. And that assures us that our son Brad will have a great opportunity to grow the business even more into the future.

BIG BROTHERS BIG SISTERS OF AMERICA BESTOWS

HIGHEST NATIONAL HONOR ON DO IT BEST CORP.

One of the enduring strengths in the partnerships between Do it Best Corp. and its member-owners is the shared commitment to servant leadership in our communities. This year, Do it Best Corp. was proud to accept the President's Award from Big Brothers Big Sisters of America (BBBSA) at its 2016 National Conference Awards Gala in Orlando, Florida. This highest national honor recognizes our more than 40 year collaboration with BBBSA to promote excellence, encourage employee volunteerism and significantly invest in the organization's mission in Northeast Indiana and around the country.

Do it Best Corp. President and CEO Dan Starr and President Emeritus Bob Taylor were on hand to receive the award from BBBSA. "Our commitment to Big Brothers Big Sisters is enthusiastically embraced across our entire organization," said Starr. "So it's an honor to receive this award on behalf of everyone at Do it Best Corp. and our many supportive vendors."

Along with vendor supported fundraising, Do it Best Corp. has contributed ongoing leadership support at the national and regional level. President Emeritus Don Wolf was a co-founder of Big Brothers Big Sisters of Northeast Indiana, now one of the country's largest chapters, and Bob Taylor and President Emeritus Mike McClelland both served on the BBBSA national board of directors.

In presenting the award, BBBSA President and CEO Pam Iorio said, "The President's Award symbolizes the utmost dedication to furthering our mission. Do it Best Corp. has shown that true partnership can inspire action and change lives through mentorship."

LAURA FREDERICK

Big Sister of the Year

Do it Best Corp. team member Laura Frederick was recognized by Big Brothers Big Sisters of America with its highest national volunteer award, Big Sister of the Year. She was inspired to volunteer as a Big Sister following a special event at Do it Best Corp. and has been with her Little Sister, Emily, ever since. At the 2016 National Conference Awards Gala, BBBSA President and CEO Pam Iorio noted that because of Laura's efforts, Emily has seen educational improvement, emotional development and a desire to reach her full potential.

NRHA

YOUNG RETAILERS OF THE YEAR

OVER $2 MILLION IN SALES

MARC CURRIE

President
and Co-Owner

Niece Lumber
Lambertville, NJ

Now that he's the president and co-owner of Niece Lumber in Lambertville, New Jersey, Marc Currie can't imagine doing anything else. But it wasn't always that way. Marc was set to enter the beverage industry after college when his father Bruce asked him to come back to the store and work the sales counter for a few weeks.

"Within the first week, I realized this is where I needed to be," said Marc. "I started understanding just how important Niece Lumber was to a lot of people — both our employees and our customers — and just how great a thing my dad built over the years. I'm really proud to be a part of this business."

Marc has cultivated a strong group of contractors who prefer the service and quality offered by Niece, and one theme has become apparent during his tenure in the business: being a destination. Their lumber, kitchen & bath and window & door categories were strong, but Marc expanded and improved other areas — including a complete remodel of their hardware area — to strengthen Niece's reputation.

MARC'S DRIVE TO ESTABLISH NIECE LUMBER AS A DESTINATION FOR QUALITY AND SERVICE HAS INCREASED SALES NEARLY 28% OVER THE LAST THREE YEARS.

Niece's decking offering used to be an afterthought, but Marc expanded their selection, doubled the size of the displays and trained his staff. Decking sales went from $75,000 annually to over $500,000 in just a few years. Marc also added specialty vents, high-end power tools, and a larger selection of granite tops, all of which delivered big sales increases. Marc's drive to establish Niece Lumber as a destination for quality and service has increased sales nearly 28% over the last three years.

Marc shows the same dedication to his community as he does his business. From supporting area sports teams, the volunteer fire department, Eagle Scouts and local historical societies, to helping organize firework displays that helped boost the local economy by attracting more tourists, Marc's generosity helps make his community a great place to live.

Each year, the North American Retail Hardware Association presents its Young Retailer of the Year Awards to a new generation of industry leaders. For 2016, Do it Best Corp. was proud to be represented by two outstanding winners: Marc Currie of Niece Lumber in Lambertville, New Jersey; and Christian Herrick of Randy's Do it Best® Hardware in Timberville, Virginia. Each was chosen for his hard work, dedication and innovative approach to exceptional retailing.

MULTIPLE-STORE RETAILERS

CHRISTIAN HERRICK

CEO

Randy's Do it Best® Hardware
Timberville and Bridgewater, VA

When he started working part-time at Randy's, Christian was simply looking for a paycheck while he went to school for a career in construction management. He then found he not only liked the retail hardware business, he was very good at it. Christian is a rare breed who can envision the big picture and then plan all the details and bring his team together to make it happen, and his success comes as no surprise to anyone who has worked with him.

CHRISTIAN'S VISION SHAPED EVERY ASPECT OF THE NEW LOCATION. WITHIN A YEAR, RANDY'S HARDWARE OWNED 90% OF THE RETAIL HARDWARE BUSINESS IN BRIDGEWATER.

Christian's enthusiasm and hard work quickly earned him a full-time role, and he wasted no time in making an impact. Discovering an opportunity to expand into the nearby town of Bridgewater, he was personally responsible for every detail of opening the new store. From store design to product selection, Christian's vision shaped every aspect of the new location. Within a year, Randy's Hardware owned 90% of the retail hardware business in Bridgewater, and sales are up 44% since the store's 2011 grand opening.

Christian turned his attention to the flagship store, located in a strip mall in Timberville. He negotiated to get more space, nearly doubling the size of the store. Upon learning a Super Walmart will soon be opening a mere 100 yards from his store, Christian boldly crafted a multi-faceted plan to use the new big box to his advantage. He brought in high quality items like Carhartt® and Yeti® that Walmart doesn't sell, created better endcaps and added new uniforms for staff.

"We are stronger and more profitable than ever before," said Christian. "Walmart may not know it yet, but they are certainly going to have their hands full with us!"

Christian also makes a positive impact in his community. He volunteers at a homeless shelter, led the store's involvement in the Meals on Wheels program and supports numerous local organizations. He also helps the local business community by serving as an ambassador for the Chamber of Commerce and mentoring other small businesses on customer service and social media best practices.

BOARD OF DIRECTORS

IN MEMORIAM: DICK MCCOY

With the passing of Dick McCoy, we lost a true friend and a tireless advocate for independent business owners. As the second-generation leader of Orme Do it Best® Hardware, Dick transformed communities by investing in failing local businesses and turning them into thriving neighborhood hardware stores. His sincere kindness, sharp business acumen and strong integrity will be missed by all.

Front row, left to right

VICE CHAIRMAN
JOHN HOLMES
HOLMES BUILDING MATERIALS
Baton Rouge, LA
Member since 1995 | 3 locations

CHAIRMAN
JIM LEHRER
BROWNSBORO HARDWARE & PAINT
Louisville, KY
Member since 1997 | 2 locations

SECRETARY
KARENA REUSSER
MODERN HOME & HARDWARE
Woodsfield, OH
Member since 1981 | 1 location

TREASURER
BRAD MCDANIEL
MCDANIEL'S DO IT CENTER®
Snohomish, WA
Member since 1998 | 1 location

Back row, left to right

TOM NOBLE
NOBLE SALES
Rockland, MA
Member since 1998 | 12 locations

MICHAEL COHEN
PANAMA DO IT CENTER®
Panama City, Panama
Member since 1989 | 19 locations

BRIAN BUSWELL
ALL AMERICAN DO IT CENTER®
Tomah, WI
Member since 1994 | 3 locations

DOUGLAS MANS
MANS LUMBER & MILLWORK
Canton, Michigan
Member since 1968 | 2 locations

JEFF PARDINI
HILLS FLAT LUMBER
Grass Valley, California
Member since 1997 | 2 locations

ROBERT ASHLEY
TRIPLE "A" BUILDING CENTER
Canton, NY
Member since 1992 | 3 locations

ELI BLIFFERT
BLIFFERT LUMBER & HARDWARE
Milwaukee, WI
Member since 2008 | 8 locations

EXECUTIVE TEAM

Standing, left to right

GARY FURST
Vice President of Human Resources and General Counsel

DOUG ROTH
Vice President of Finance and CFO

STEVE MARKLEY
Vice President of Merchandising

JAY BROWN
Vice President of Sales and Business Development

TIM MILLER
Vice President of Retail Logistics

RICH LYNCH
Vice President of Marketing

GARY NACKERS
Vice President of Lumber and Building Materials

MIKE ALTENDORF
Vice President of Information Technology

Do it Best Corp.

2016 FISCAL YEAR IN REVIEW

$3 BILLION AND GROWING.

ENTREPRENEURS OF THE YEAR

LBM Journal

Sales Under $10 Million
John Obermeier
Obermeier Hardware and Rental

Sales $10 Million - $50 Million
Brian Buswell
All American Do it Center®

Sales Over $50 Million
Manny Pina
National Lumber

YOUNG RETAILERS OF THE YEAR

North American Retail Hardware Association

Marc Currie
Niece Lumber

Christian Herrick
Randy's Do it Best® Hardware

HARDWARE ALL STARS

Hardware + Building Supply Dealer

Big R Lovelock - Lovelock, Nevada

Charlie's Do it Best® Hardware & Rental - Mosinee, Wisconsin

Duncan Lumber - Tazewell, Tennessee

Hamm Hardware & Building Supplies - Prosperity, South Carolina

Hess Do it Best® Lumber & Home Center - Malad City, Idaho

Ivey Lumber - Mansfield/Haughton, Louisiana

Ken's Do it Best® Hardware - Toms River, New Jersey

Kendall Hardware - Clarksville, Maryland

Loa Do it Best® Builders Supply - Loa, Utah

Nabors Do it Best® Home Center - Eupora/Houston, Mississippi

Orme Do it Best® Hardware - Ohio

The Hardware Store - Atchison, Kansas

Vickery Do it Best® Hardware - Smyrna, Georgia

Yoder's Shipshewana Hardware - Shipshewana, Indiana

BEACON AWARDS

The Hardware Connection

BEST NEW STORE (OVER 20,000 SF)
Brian Buswell
All American Do it Center®

RETAILER BEACON AWARD
Karen McCoy
Orme Do it Best® Hardware

TOP GUN

Hardware Retailing

Eli Bliffert
Bliffert Lumber & Hardware

PRO DEALER OF THE YEAR

Hardware + Building Supply Dealer and NLBMDA

John Holmes
Holmes Building Materials

GROSS MEMBER PURCHASES

$3.02 BILLION

REBATE

$115.5 MILLION

REBATE OVER $100 MILLION

13 YEARS

RUNNING

OPERATING COST

2.20%

FILL RATE

96.8%

From left: Diego Morales, Special Assistant to Governor Mike Pence; Steve Lynch, Indiana ESGR State Chair; Randy Rusk, Do it Best Corp. Communications Director; Col. Douglas Schwartz, Commanding Officer 434th Air Refueling Wing; and Sandy Dye, Indiana ESGR Region 3 Chair.

Do it Best Corp. Recognized Nationally for Support of Guard and Reserve

The Indiana Employer Support of the Guard and Reserve (ESGR), an agency within the Department of Defense, presented Do it Best Corp. with the distinguished Pro Patria Award. Given to just one employer statewide, the award salutes the committed support shown for staff and their families during deployments around the world.

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We state and attest that:

1. To the best of our knowledge, based upon a review of the following reports of Do it Best Corp.
   (a) No report contained an untrue statement of a material fact as of the end of the period covered by such report; and
   (b) No report omitted to state a material fact necessary to make the statements in the report, in light of the circumstances under which they were made, not misleading as of the end of the period covered by such report.
2. We have reviewed the contents of this statement with the Do it Best Corp. board of directors.

Dan Starr
President and CEO

J. Douglas Roth
Vice President of Finance and CFO

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Member-Shareholders
Do it Best Corp.
Fort Wayne, Indiana

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Do it Best Corp., which comprise the consolidated balance sheets as of June 25, 2016 and June 27, 2015, and the related consolidated statements of income, comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the three years in the period ended June 25, 2016, 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Do it Best Corp. as of June 25, 2016 and June 27, 2015, and the results of its operations and its cash flows for each of the three years in the period ended June 25, 2016 in accordance with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP
Fort Wayne, Indiana
August 30, 2016

CONSOLIDATED BALANCE SHEETS

See accompanying notes to the consolidated financial statements

June 25, 2016 and June 27, 2015 (Amounts in thousands)	**2016**	2015
ASSETS		
Current assets		
Cash and cash equivalents	**$ 20,217**	$ 69,151
Short-term investments, held-to-maturity	**19,965**	–
Accounts and notes receivable, less allowance for doubtful accounts of $500 in 2016 and $445 in 2015	**310,288**	295,294
Income tax receivable	**671**	726
Merchandise inventories	**244,714**	258,525
Prepaid expenses and deferred charges	**829**	896
Deferred income taxes	**5,073**	4,774
Total current assets	**601,757**	629,366
Property and equipment, net	**117,353**	113,026
Accounts and notes receivable, less current maturities	**3,409**	1,562
Deferred income taxes	**15,990**	19,597
Other assets	**8,874**	7,751
Total assets	**$ 747,383**	$ 771,302
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	**$ 368,462**	$ 390,778
Accrued expenses	**55,473**	53,301
Total current liabilities	**423,935**	444,079
Long-term portion of accrued pension and other postretirement liabilities	**30,217**	43,134
Shareholders' equity		
Common stock, voting	**3,023**	3,048
Common stock, non-voting	**482**	482
Preference stock	**301,711**	298,171
Accumulated other comprehensive loss	**(15,877)**	(20,833)
Retained earnings	**3,892**	3,221
Total shareholders' equity	**293,231**	284,089
Total liabilities and shareholders' equity	**$ 747,383**	$ 771,302

CONSOLIDATED STATEMENTS OF INCOME

See accompanying notes to the consolidated financial statements

Years ended June 25, 2016, June 27, 2015 and June 28, 2014 (Amounts in thousands)	**2016**	2015	2014
Gross sales	**$ 3,019,255**	$ 2,997,704	$ 2,873,108
Returns and allowances	**93,313**	93,187	93,919
Net sales	**2,925,942**	2,904,517	2,779,189
Cost of sales	**2,733,689**	2,717,170	2,591,414
Gross profit	**192,253**	187,347	187,775
Selling, general and administrative expenses	**64,401**	56,383	58,941
Income before other income, profit sharing and pension costs, shareholders' refund and income taxes	**127,852**	130,964	128,834
Other income, net	**1,259**	967	1,951
Income before profit sharing and pension costs, shareholders' refund and income taxes	**129,111**	131,931	130,785
Profit sharing and pension costs	**12,302**	14,688	14,506
Income before shareholders' refund and income taxes	**116,809**	117,243	116,279
Shareholders' refund			
Cash	**89,537**	89,284	88,294
Preference stock	**25,942**	27,078	27,082
Total shareholders' refund	**115,479**	116,362	115,376
Income before income taxes	**1,330**	881	903
Federal and state income taxes	**659**	675	527
Net income	**$ 671**	$ 206	$ 376

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

See accompanying notes to the consolidated financial statements

Years ended June 25, 2016, June 27, 2015 and June 28, 2014 (Amounts in thousands)	**2016**	2015	2014
Net income	**$ 671**	$ 206	$ 376
Other comprehensive income (loss):			
Change in defined benefit plans, net of tax	**4,956**	(5,689)	824
Total other comprehensive income (loss)	**4,956**	(5,689)	824
Comprehensive income (loss)	**$ 5,627**	$ (5,483)	$ 1,200

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

See accompanying notes to the consolidated financial statements

Years ended June 25, 2016, June 27, 2015 and June 28, 2014 (Amounts in thousands)	**2016**	2015	2014
Common stock, voting			
Balance, beginning of year	**$ 3,048**	$ 3,131	$ 3,201
Shares issued	**136**	113	111
Shares repurchased	**(161)**	(196)	(181)
Balance, end of year	**3,023**	3,048	3,131
Common stock, non-voting			
Balance, beginning of year	**482**	483	469
Shares issued	**16**	31	16
Shares repurchased	**(16)**	(32)	(2)
Balance, end of year	**482**	482	483
Preference stock			
Balance, beginning of year	**298,171**	291,534	284,342
Shares issued	**25,942**	27,078	27,082
Shares repurchased	**(22,402)**	(20,441)	(19,890)
Balance, end of year	**301,711**	298,171	291,534
Accumulated other comprehensive loss			
Balance, beginning of year	**(20,833)**	(15,144)	(15,968)
Change in defined benefit plans, net of tax	**4,956**	(5,689)	824
Balance, end of year	**(15,877)**	(20,833)	(15,144)
Retained earnings			
Balance, beginning of year	**3,221**	3,015	2,639
Net income	**671**	206	376
Balance, end of year	**3,892**	3,221	3,015
Total shareholders' equity	**$ 293,231**	$ 284,089	$ 283,019

CONSOLIDATED STATEMENTS OF CASH FLOWS

See accompanying notes to the consolidated financial statements

Years ended June 25, 2016, June 27, 2015 and June 28, 2014 (Amounts in thousands)	**2016**	2015	2014
Cash flows from operating activities			
Net income	**$ 671**	$ 206	$ 376
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	**11,226**	10,160	9,260
Provision for (benefit from) deferred income taxes	**4**	(306)	(932)
Loss on sale of assets	**–**	357	95
Shareholder refunds in preference shares	**25,942**	27,078	27,082
Changes in operating assets and liabilities			
Accounts and notes receivable, net	**(16,841)**	(2,371)	(20,612)
Merchandise inventories	**13,811**	(12,982)	(15,649)
Other assets	**(1,056)**	(622)	(5,672)
Accounts payable	**(22,316)**	(7,067)	8,653
Accrued federal income taxes	**55**	(956)	2,076
Accrued expenses	**(2,485)**	3,068	6,252
Net cash provided by operating activities	**9,011**	16,565	10,929
Cash flows from investing activities			
Sale of long-term investment	**–**	–	7,050
Purchase of short-term investments	**(19,965)**	–	–
Proceeds from sale of property and equipment	**–**	3,135	26
Capital expenditures	**(15,553)**	(9,893)	(26,203)
Net cash used in investing activities	**(35,518)**	(6,758)	(19,127)
Cash flows from financing activities			
Issuance of common shares	**136**	113	111
Purchase of common shares	**(161)**	(196)	(181)
Issuance of non-voting common shares	**16**	31	16
Purchase of non-voting common shares	**(16)**	(32)	(2)
Purchase of preference shares	**(22,402)**	(20,441)	(19,890)
Net cash used in financing activities	**(22,427)**	(20,525)	(19,946)
Net decrease in cash and cash equivalents	**(48,934)**	(10,718)	(28,144)
Cash and cash equivalents, beginning of year	**69,151**	79,869	108,013
Cash and cash equivalents, end of year	**$ 20,217**	$ 69,151	$ 79,869

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation: The consolidated financial statements include the accounts of Do it Best Corp. and its wholly-owned subsidiaries (the "Company" or "Do it Best"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of operations: Do it Best is a member-owned wholesaler of hardware, lumber, builder supplies and related products, operating as a wholesaler cooperative. Members are located principally in the United States, with some member locations abroad. Only dealers in hardware, lumber, builder supplies and related products are eligible to hold shares in the Company. Nearly all of the Company's sales are to dealer-members, each of whom is required to purchase twenty voting common shares at $50 per share on becoming a member and, in some cases, shares of non-voting common stock.

Fiscal year: The Company's fiscal year consists of 52 or 53 weeks ending on the last Saturday in June. A fifty-third week will be added every five or six years. All references to "2016", "2015" and "2014" relate to the fiscal years ended June 25, 2016, June 27, 2015 and June 28, 2014, respectively.

Capital structure: The Company's capital is primarily derived from the issuance of voting common shares together with the preference shares issued in connection with the Company's annual shareholders' refund. The Articles of Incorporation require that each member shareholder accept preference shares in payment of refunds, under requirements of the formula set forth in the By-Laws, and the payment of at least twenty percent in cash.

Upon a member's termination of membership with the Company and demand for repurchase, the Company will repurchase the voting and/or non-voting common shares held by such shareholder at the lesser of cost or book value. After a holder of voting or non-voting common shares requests repurchase of those shares concurrently with termination of their relationship with the Company as a member-shareholder, the Board of Directors may also authorize repurchase of the preference shares held by such shareholder, subject to statutory and By-Law restrictions, in sequence of termination, at the discretion of the Board of Directors.

Upon request of a shareholder, the Company may redeem part of a shareholder's preference shares where such shareholder has experienced a substantial uninsured financial loss through catastrophe, or where the member presents a plan for a new retail business. Any request is subject to standards and limitations imposed by the Board of Directors or the Company.

Upon liquidation of the Company for any reason, the holders of the preference shares shall be entitled to receive out of the assets of the Company, the sum of $100 per share before any distribution is made to the holders of voting and non-voting common shares.

Shareholder refund: At the end of each fiscal year, the Company is obligated to refund to its member-shareholders the gross profit on sales of merchandise to the member-shareholders, less all operating expenses. Refunds are required to be made to each member-shareholder in the proportion of the gross profit on purchases to the total gross profit on purchases made by all member-shareholders, adjusted for participation in the Enhanced Rebate program. Total cash shareholder refunds to be paid approximated $89,500, $89,300 and $88,300 in 2016, 2015 and in 2014, respectively. These amounts are currently included in accounts payable. The Company also issued preference stock shareholder refunds of approximately $25,900, $27,100 and $27,100 in 2016, 2015 and in 2014, respectively. These amounts are included in equity.

Use of estimates: Preparation of the consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates, making it reasonably possible that a change in certain of these estimates could occur in the near term. Certain significant estimates and assumptions used in the preparation of the Company's consolidated financial statements include those used for: pension and postretirement benefit plans; allowances for doubtful accounts; and inventory valuation.

NOTE 1: Continued

Income taxes and uncertain tax positions: The Company accounts for income taxes under the asset and liability method. The Company's taxable income is determined after deducting refunds to member-shareholders. Deferred tax assets and liabilities are recognized for operating loss and tax credit carryforwards and for the estimated future tax consequences attributable to differences between consolidated financial statement reporting basis of existing assets and liabilities and their respective income tax basis. Deferred tax assets and liabilities are measured using enacted tax rates anticipated to be in effect for the year in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax assets is adjusted by a valuation allowance, if necessary, to recognize, based on available evidence, the future tax benefits that will more likely than not be realized.

The Company accounts for uncertainty in income taxes under the provisions of Accounting Standards Codification ("ASC") 740. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Management is not aware of any uncertain tax positions. The Company is no longer subject to examination by taxing authorities for years before June 29, 2013.

The Company is subject to U.S. federal income tax, as well as various state income taxes. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Company recognizes interest and/or penalties related to income tax matters in income tax expense. The Company did not have any amounts accrued for interest and penalties at June 25, 2016 and June 27, 2015, respectively.

Inventory valuation: Merchandise inventories are valued at the lower of cost or market, with cost determined on a first-in, first-out (FIFO) basis. Do it Best enters into various purchase rebate programs with vendors, pursuant to binding arrangements. Where the rebate or incentive is probable and estimable, it is recognized as a reduction to cost of each underlying transaction. If a rebate is not probable or reasonably estimable, such rebates are recognized on their achievement.

Shipping and handling fees and costs: The Company includes shipping and handling fees billed to members in gross sales. Shipping and handling costs associated with inbound freight are included in cost of sales.

Comprehensive income (loss): Comprehensive income (loss) is a more inclusive measurement of results, including items that are not recognized in the measurement of net income (loss). Comprehensive income (loss) represents the change in the Company's defined pension plans.

Accounts receivable and revenue recognition: Do it Best sells to members using credit terms customary in its industry. The Company determines delinquent accounts in accordance with sales terms. When an invoice becomes delinquent, it is generally subject to interest at 1.5% per month. Management establishes a reserve for losses on its accounts based on historic loss experience and current economic conditions. Losses are charged against the reserve when management deems further collection efforts will not produce additional recoveries. Do it Best has the right to set off amounts owing by the Company to its members against indebtedness owed the Company by its members.

Revenues from the sale of warehoused merchandise to members are generally recognized when goods are shipped. Sales revenues for goods acquired and sold to members under drop-ship arrangements with vendors are generally recognized in accordance with vendor terms as to title and risk of loss passage. The Company provides cooperative advertising, among other services, to its members. Revenues for such services are recognized when the services are rendered.

NOTE 1: Continued

Fair value of financial instruments: The Company follows guidance in ASC 820 which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This requirement establishes a fair value hierarchy regarding the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. This fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The requirement describes three levels of inputs that may be used to measure fair value. See Notes 8 and 10 for further discussion.

The fair value of cash and cash equivalents, accounts and notes receivable and accounts payable approximates carrying value because of the short-term maturities of these financial instruments, or underlying interest rates, where applicable, approximate market for the same or similar issues.

Cash and cash equivalents: The Company considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. The Company places its cash with high credit quality financial institutions. Cash balances generally exceed insurance provided on such deposits.

Property and equipment: Property and equipment are stated at cost. Upon retirement or sale of assets, the cost of the disposed assets and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is credited or charged to income, respectively. Major additions and improvements are capitalized, while minor items, maintenance and repairs are expensed currently. Depreciation and amortization are calculated using straight-line methods. Estimated useful lives range from fifteen to forty years for building and improvements, and from three to ten years for equipment and fixtures.

Included in property and equipment is the capitalized cost of internal-use software. The Company capitalizes costs incurred during the application development stage of internal-use software and amortizes these costs over its estimated useful life. Costs incurred related to design or maintenance of internal-use software are expensed as incurred. For 2016 and 2015, the Company capitalized approximately $5,550 and $5,175, respectively, of software development costs which consisted of both internally developed and purchased software costs. Amortization expense for all capitalized software was $3,683 and $2,745 for 2016 and 2015, respectively.

The Company evaluates long-lived assets, such as property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds its fair value. The Company has not incurred any impairment of long-lived assets during 2016 or 2015.

Advertising and promotion costs: Costs associated with advertising and promotions are charged to operations in the period incurred. The Company participates in cooperative advertising arrangements with its vendors. Reimbursements received under cooperative advertising arrangements with vendors are recognized as a reduction of associated advertising costs. Advertising and promotion costs, net charged to operations in 2016, 2015 and 2014 were $17,217, $16,399 and $16,806, respectively.

June 25, 2016, June 27, 2015 and June 28, 2014 (Amounts in thousands, except share data)

NOTE 1: Continued

Short-term investments: The Company has evaluated its investment policies consistent with ASC 320, *Investments–Debt and Equity Securities*. Short-term investments consist of fixed maturity debt securities and certificates of deposit. These securities were designated as held-to-maturity at purchase based upon Do it Best's intent relative to the eventual disposition of the securities. Held-to-maturity securities are being carried at amortized cost as management has the positive intent and ability to hold them to their October 2016 maturities. Realized gains and losses are recognized upon disposition at the maturity date of the securities. The carrying value of short-term, held-to-maturity securities is $19,965 and the fair value is $19,972 at June 25, 2016. No securities were held at June 27, 2015.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 25, 2016 to determine the need for any adjustments to and/or disclosures within the consolidated financial statements for the year ended June 25, 2016. Management has performed their analysis through August 30, 2016, the date the consolidated financial statements were available to be issued.

NOTE 2
CASH FLOWS

Supplemental disclosures of cash flow information for the years ended 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Cash paid for income taxes	**$ 600**	$ 1,600	$ –

NOTE 3
CREDIT AGREEMENT

The Company has available an unsecured line of credit with a commercial bank in the amount of $45,000, with a $3,000 sub-limit for letters of credit. This line of credit is reduced in availability to $20,000 from April 1 to October 1. Interest is payable monthly on outstanding balances at either prime rate minus an applicable margin or Libor plus an applicable margin. There were no borrowings against the line of credit at June 25, 2016 or June 27, 2015. The line of credit agreement expires on March 31, 2017. Outstanding letters of credit approximated $310 and $160 at June 25, 2016 and June 27, 2015, respectively.

NOTE 4
PROPERTY AND EQUIPMENT

Property and equipment is summarized by major classification as follows at June 25, 2016 and June 27, 2015:

	2016	2015
Land, buildings and site improvements	**$ 137,596**	$ 133,700
Equipment and fixtures	**73,171**	67,060
Capitalized software	**30,638**	25,088
Construction in progress	**85**	1,210
	241,490	227,058
Less accumulated depreciation and amortization	**124,137**	114,032
Property and equipment, net	**$ 117,353**	$ 113,026

NOTE 5
OPERATING LEASES

The Company leases office space, data processing equipment, software, office equipment, autos and delivery equipment under operating leases expiring on various dates through 2021. Various agreements are cancelable at the option of the Company upon fulfillment of certain conditions. Future annual minimum lease payments under all non-cancelable operating leases as of June 25, 2016 approximate $13,426, $12,204, $4,720, $3,067, and $1,477 in 2017, 2018, 2019, 2020, and 2021, respectively, and $25 thereafter for an aggregate total of $34,919. Rents charged to operations under all operating leases, including weekly and monthly rents along with fuel and associated costs of transportation rentals during 2016, 2015 and 2014 were approximately $44,900, $45,300 and $46,200, respectively.

June 25, 2016, June 27, 2015 and June 28, 2014 (Amounts in thousands, except share data)

NOTE 6
CAPITAL STOCK SHARE DATA

Share data relevant to amounts reported in the consolidated statements of shareholders' equity is as follows:

	2016	2015	2014
Common stock, voting $50 par value,			
990,000 shares authorized:			
Shares outstanding, beginning of year	**60,960**	62,620	64,020
Shares issued	**2,720**	2,260	2,220
Shares repurchased	**(3,220)**	(3,920)	(3,620)
Shares outstanding, end of year	**60,460**	60,960	62,620
Common stock, non-voting $50 par value,			
100,000 shares authorized:			
Shares outstanding, beginning of year	**9,630**	9,650	9,370
Shares issued	**310**	620	310
Shares repurchased	**(310)**	(640)	(30)
Shares outstanding, end of year	**9,630**	9,630	9,650
Preference shares, $100 par value,			
4,000,000 shares authorized:			
Shares outstanding, beginning of year	**2,981,709**	2,915,335	2,843,422
Shares issued	**259,416**	270,776	270,818
Shares repurchased	**(224,020)**	(204,402)	(198,905)
Shares outstanding, end of year	**3,017,105**	2,981,709	2,915,335

NOTE 7
TRANSACTIONS WITH UNCONSOLIDATED EQUITY AFFILIATE

Do it Best is a 50% stakeholder in Alliance International, LLC ("the Alliance"), a hardware and related products purchasing consortium consisting of Do it Best and an unrelated party engaged in the distribution and sale of hardware and related products. The Alliance procures vendor purchase contracts to enable vendor pricing on a larger scale than that which would be available to the individual companies. Virtually all purchases made by Do it Best are transacted through the Alliance.

Do it Best provides certain management services, including accounting assistance to the Alliance, for which the Alliance reimburses Do it Best in accordance with the management services arrangement. The parties share equally in the expenses of the Alliance. During 2016, 2015 and 2014, Do it Best was charged $170, $231 and $167, respectively, by the Alliance for administrative costs. Do it Best was paid $42, $39 and $37, respectively, in 2016, 2015 and 2014 for management services rendered to the Alliance.

NOTE 8
EMPLOYEE BENEFIT PLANS

Retirement plans: The Company has a defined benefit pension plan and a defined contribution profit sharing plan ("the Plans"), both covering substantially all employees. Benefits are based on years of service and the employee's compensation during the last five years of employment.

The Company makes various discretionary contributions to the Plans. Retirement plan costs related to the pension plan approximated $3,600, $7,300 and $6,800 for 2016, 2015 and 2014, respectively. Benefits paid to employees related to this plan approximated $9,700, $7,700 and $5,800 in 2016, 2015 and 2014, respectively. Cost related to the defined contribution profit sharing plan approximated $8,700, $7,400 and $7,700 in 2016, 2015 and 2014, respectively.

The Company has a defined benefit supplemental retirement plan with its executives, designed to provide benefits that would have been received under the retirement plan were it not for maximum limitations imposed by ERISA and the Internal Revenue Code. Expense is incorporated into retirement plan cost noted above.

Management estimates approximately $5,000 will be contributed to the defined benefit pension plan by the Company during the fiscal year ending June 24, 2017.

Expected benefit payments for the ensuing five years and in the aggregate related to the defined benefit pension plan approximate $9,100, $8,500, $8,100, $8,500, and $8,300 in 2017, 2018, 2019, 2020 and 2021, respectively. Expected benefit payments from 2022 to 2026 approximate $43,100, for an aggregate total of $85,600.

Effective January 1, 2016, the Plan was closed such that no participants hired subsequent to December 31, 2015 are allowed in the Plan. Further, participants' monthly and average monthly earnings as defined by the Plan and used in the determination of benefits under the Plan were frozen effective June 30, 2016.

Postretirement medical benefit plan: The Company has a postretirement medical benefit plan ("the Plan"). The Plan covers retired employees who are less than 65 years of age and have greater than 10 years of service with the Company. Employees over 65 years of age are not covered beyond benefits provided by Medicare. Income related to the Plan approximated $96, $206 and $185 in 2016, 2015 and 2014, respectively. Participant contributions to the Plan aggregated $23, $27 and $33 in 2016, 2015 and 2014, respectively. Benefits paid to employees related to the Plan aggregated $675, $917 and $1,036 in 2016, 2015 and 2014, respectively.

Management estimates approximately $800 will be contributed to the Plan by the Company during the fiscal year ending June 24, 2017.

Expected benefit payments for the ensuing five years and in the aggregate related to the Plan approximate $800, $600, $600, $600, and $500 in 2017, 2018, 2019, 2020 and 2021, respectively. Expected benefit payments from 2022 to 2026 approximate $1,900, for an aggregate total of $5,000.

Effective April 1, 2011, the Plan was frozen such that any participants who were not retired as of that date, ceased participation in the plan. As a result of this change, the plan was re-measured as of March 31, 2011, a negative prior service cost base was established equal to the reduction in APBO for those individuals who ceased participation, and a curtailment charge was recognized equal to the change in the plan's funded status due to the accelerated retirement.

The Plan contains an assumption about the annual rates of change in the cost of health care benefits currently provided by the Plan, due to factors other than changes in the composition of the Plan population by age and dependency status, for each year from the measurement date until the end of the period in which benefits are expected to be paid. The health care cost trend rate implicitly considers estimates of health care inflation, changes in health care utilization or delivery patterns, technological advances, and changes in the health status of the Plan participants. Differing types of services, such as hospital care and dental care, may have different trend rates.

The following schedule shows changes in the benefit obligation, plan assets and funded status of the Plans. Benefit obligation balances presented below reflect the projected benefit obligation for the Company's retirement and pension plans, and accumulated postretirement benefit obligations for the postretirement medical plan. The measurement date used to determine the benefit obligations were each June 30.

June 25, 2016, June 27, 2015 and June 28, 2014 (Amounts in thousands, except share data)

NOTE 8: Continued

	Retirement and Pension Plan			Postretirement Medical Plan		
	2016	2015	2014	**2016**	2015	2014
Change in benefit obligation:						
Beginning balance	**$ 117,266**	$ 108,314	$ 98,386	**$ 5,538**	$ 5,861	$ 6,863
Service cost	**4,744**	6,623	5,880	**–**	–	–
Interest cost	**4,152**	4,837	4,530	**241**	240	279
Plan participants' contributions	**–**	–	–	**23**	27	33
Actuarial (gain)/loss	**1,966**	5,211	5,275	**149**	327	(278)
Plan change	**(17,739)**	–	–	**–**	–	–
Benefits paid	**(9,665)**	(7,719)	(5,757)	**(676)**	(917)	(1,036)
Ending balance	**$ 100,724**	$ 117,266	$ 108,314	**$ 5,275**	$ 5,538	$ 5,861
Change in plan assets:						
Beginning balance at fair value	**$ 77,321**	$ 77,507	$ 65,405	**$ 1,075**	$ 1,720	$ 2,055
Actual return on plan assets	**(1,162)**	566	10,129	**26**	72	286
Company contributions (refund)	**7,368**	6,967	7,730	**(448)**	173	382
Plan participants' contributions	**–**	–	–	**23**	27	33
Benefits paid	**(9,665)**	(7,719)	(5,757)	**(676)**	(917)	(1,036)
Ending balance at fair value	**$ 73,862**	$ 77,321	$ 77,507	**$ –**	$ 1,075	$ 1,720
Under funded status	**$ (26,862)**	$ (39,945)	$ (30,807)	**$ (5,275)**	$ (4,463)	$ (4,141)
Amounts recognized in statement of financial position consist of:						
Current liabilities	**$ (1,164)**	$ (1,005)	$ (667)	**$ (756)**	$ (269)	$ (280)
Non-current liabilities	**(25,698)**	(38,940)	(30,140)	**(4,519)**	(4,194)	(3,861)
Net liability recognized in balance sheet	**$ (26,862)**	$ (39,945)	$ (30,807)	**$ (5,275)**	$ (4,463)	$ (4,141)

June 25, 2016, June 27, 2015 and June 28, 2014 (Amounts in thousands, except share data)

NOTE 8: Continued

	Retirement and Pension Plan			Postretirement Medical Plan		
	2016	2015	2014	**2016**	2015	2014
Reconciliation of amounts recognized in accumulated other comprehensive (loss) income:						
Prior service cost	**$ 16,166**	$ (81)	$ (123)	**$ 2,794**	$ 3,190	$ 3,586
Net actuarial loss	**(42,931)**	(36,022)	(27,200)	**(1,872)**	(1,809)	(1,504)
Accumulated other comprehensive (loss) income	**(26,765)**	(36,103)	(27,323)	**922**	1,381	2,082
Accrued benefit cost	**(97)**	(3,842)	(3,484)	**(6,197)**	(5,844)	(6,223)
Net liability recognized in balance sheet	**$ (26,862)**	$ (39,945)	$ (30,807)	**$ (5,275)**	$ (4,463)	$ (4,141)
Change in accumulated other comprehensive income (loss)						
Beginning of year (no tax effect)	**$ (36,103)**	$ (27,323)	$ (28,596)	**$ 1,381**	$ 2,082	$ 1,983
Less amounts amortized during the year:						
Net transition obligation	**–**	–	–	**–**	–	–
Prior service cost (credit) arising during the year	**(1,493)**	42	43	**(396)**	(396)	(396)
Net loss (gain) arising during the year	**2,049**	1,682	1,618	**121**	64	72
Occurring during the year:						
Plan change	**17,740**	–	–	**(618)**	–	–
Amortization of net (loss) gain	**(8,958)**	(10,504)	(388)	**(184)**	(369)	423
End of year	**(26,765)**	(36,103)	(27,323)	**304**	1,381	2,082
Deferred income taxes	**10,706**	14,441	10,930	**(122)**	(552)	(833)
Accumulated other comprehensive (loss) income, net of tax	**$ (16,059)**	$ (21,662)	$ (16,393)	**$ 182**	$ 829	$ 1,249
Estimated amounts to be amortized from accumulated other comprehensive income over the next fiscal year:						
Prior service credit (cost)	**$ 1,492**	$ (39)	$ (42)	**$ 396**	$ 396	$ 396
Net actuarial loss	**(2,893)**	(2,150)	(1,408)	**(132)**	(104)	(80)
Total	**$ (1,401)**	$ (2,189)	$ (1,450)	**$ 264**	$ 292	$ 316

June 25, 2016, June 27, 2015 and June 28, 2014 (Amounts in thousands, except share data)

NOTE 8: Continued

As of June 25, 2016 the defined benefit pension plans and the postretirement medical plan had accumulated benefit obligations of approximately $101,000 and $5,300, respectively. At June 27, 2015, the defined benefit pension plans and the postretirement medical plan experienced accumulated benefit obligations of approximately $95,000 and $5,500, respectively. At June 28, 2014, the defined benefit pension plans and the postretirement medical plan experienced accumulated benefit obligations of approximately $88,800 and $5,900, respectively.

The change in deferred taxes recognized in other comprehensive income (loss) approximated ($3,300), $3,800, and ($550) during 2016, 2015, and 2014, respectively.

The components of net periodic benefit (cost) income are as follows:

	Retirement and Pension Plan			Postretirement Medical Plan		
	2016	2015	2014	**2016**	2015	2014
Components of net periodic benefit (costs)/income:						
Service cost	**$ (4,744)**	$ (6,623)	$ (5,880)	**$ –**	$ –	$ –
Interest cost	**(4,152)**	(4,837)	(4,530)	**(241)**	(240)	(279)
Expected return on plan assets	**5,829**	5,858	5,243	**61**	114	139
Amortization	**(556)**	(1,724)	(1,660)	**276**	332	325
Net periodic benefit (costs)/income	**$ (3,623)**	$ (7,326)	$ (6,827)	**$ 96**	$ 206	$ 185

Assumptions: Weighted-average actuarial assumptions used to determine pension and other postretirement obligations as of year-end are as follows:

	2016 Retirement and Pension Plan	**2016 Post-retirement Medical**	2015 Retirement and Pension Plan	2015 Post-retirement Medical	2014 Retirement and Pension Plan	2014 Post-retirement Medical
Discount rate	**4.25%**	**4.25%**	4.50%	4.50%	4.50%	4.50%
Salary increase	**4.04%**	**N/A**	3.98%	N/A	3.96%	N/A
Current year trend	**N/A**	**7.50%**	N/A	8.00%	N/A	8.50%
Ultimate year trend	**N/A**	**5.00%**	N/A	5.00%	N/A	5.00%
Year of ultimate trend date	**N/A**	**2021**	N/A	2021	N/A	2021

Weighted-average assumptions used to determine net periodic pension cost:

	2016 Retirement and Pension Plan	**2016 Post-retirement Medical**	2015 Retirement and Pension Plan	2015 Post-retirement Medical	2014 Retirement and Pension Plan	2014 Post-retirement Medical
Discount rate	**4.50%**	**4.50%**	4.50%	4.50%	4.75%	4.75%
Salary increase	**4.04%**	**N/A**	3.98%	N/A	3.96%	N/A
Long-term rate of return on assets	**7.50%**	**7.50%**	7.50%	7.75%	7.75%	7.75%
Current year trend	**N/A**	**7.50%**	N/A	8.00%	N/A	8.50%
Ultimate year trend	**N/A**	**5.00%**	N/A	5.00%	N/A	5.00%
Year of ultimate trend date	**N/A**	**2021**	N/A	2021	N/A	2021

June 25, 2016, June 27, 2015 and June 28, 2014 (Amounts in thousands, except share data)

NOTE 8: Continued

Plan Assets: The investment policy and strategy is to invest plan assets in order to provide income and capital growth consistent with reasonable risk tolerance. In determining pension expense, the Company, as fiduciary of the Plan, utilizes an expected long-term rate of return that, over time, should approximate the actual long-term rate of return earned on plan assets, based upon historical returns of plan assets and similar asset classes. The assumed rate for the long-term return on plan assets was determined based upon target asset allocations and expected long-term rates of return by asset class. Plan fiduciaries set investment policies and strategies for the trust. Long-term strategic investment objectives include preserving the funded status of the plan and balancing risk and return. The plan fiduciaries oversee the investment allocation process, which includes selecting investment managers, setting long-term strategic targets and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, and occasionally plan fiduciaries will approve allocations above or below a target range.

All Plans' assets are composed primarily of corporate equity and debt securities and U.S. government securities and, depending on the plan, are directed either by the employer (the defined benefit pension plan and the postretirement medical benefit plan) or employee (the defined contribution profit sharing plan). The defined benefit pension plan and the postretirement medical benefit plan assets held consisted of the following at June 25, 2016, and June 27, 2015:

	2016			2015		
	Target Allocation:	**Retirement and Pension Plan**	**Post-retirement Medical**	Target Allocation:	Retirement and Pension Plan	Post-retirement Medical
Equity securities	**58%**	**56%**	**0%**	58%	62%	62%
Debt securities	**34%**	**39%**	**0%**	34%	31%	31%
Other	**8%**	**5%**	**0%**	8%	7%	7%
Total	**100%**	**100%**	**0%**	100%	100%	100%

Financial Accounting Standards Board ("FASB") ASC 820-10, Fair Value Measurements and Disclosures, establishes a framework and provides guidance on measuring the fair value of assets in a pension plan and how an employer should disclose the same. The framework establishes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value.

The three levels of fair value hierarchy are described as follows:

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

June 25, 2016, June 27, 2015 and June 28, 2014 (Amounts in thousands, except share data)

NOTE 8: Continued

In some cases, a valuation technique used to measure fair value may include inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following descriptions of the valuation methods and assumptions used by the Plan to estimate the fair values of investments apply to investments held directly by the Plan.

Equity, debt and inflation-indexed securities: Fair values reflect the closing price reported in the active market in which the security is traded (level 1 inputs).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes the Company's financial assets measured at fair value on a recurring basis in accordance with ASC 820-10 as of June 25, 2016:

	2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Retirement and Pension Plan				
Mutual funds				
Money Market	$ 722	$ 722	$ –	$ –
Domestic Equity	23,458	23,458	–	–
International Equity	16,164	16,164	–	–
Domestic Fixed	26,631	26,631	–	–
Managed Futures	2,645	2,645	–	–
Alternative	2,449	2,449	–	–
Domestic equity exchange traded	1,793	1,793	–	–
	$ 73,862	$ 73,862	$ –	$ –

June 25, 2016, June 27, 2015 and June 28, 2014 (Amounts in thousands, except share data)

NOTE 8: Continued

The following table summarizes the Company's financial assets measured at fair value on a recurring basis in accordance with ASC 820-10 as of June 27, 2015:

	2015	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Retirement and Pension Plan				
Mutual funds				
Money Market	$ 173	$ 173	$ –	$ –
Domestic Equity	26,230	26,230	–	–
International Equity	17,251	17,251	–	–
Domestic Fixed	24,317	24,317	–	–
Managed Futures	2,509	2,509	–	–
Large Blend	5,175	5,175	–	–
Domestic equity exchange traded	1,666	1,666	–	–
	$ 77,321	$ 77,321	$ –	$ –
Post-Retirement Medical Plan				
Mutual funds				
Money Market	$ 76	$ 76	$ –	$ –
Domestic Equity	330	330	–	–
Domestic Fixed	329	329	–	–
International Equity	83	83	–	–
Equities – Common Stock	202	202	–	–
Domestic equity exchange traded	35	35	–	–
International equity exchange traded	20	20	–	–
	$ 1,075	$ 1,075	$ –	$ –

June 25, 2016, June 27, 2015 and June 28, 2014 (Amounts in thousands, except share data)

NOTE 9
INCOME TAXES

The provision for income taxes at June 25, 2016, June 27, 2015 and June 28, 2014, consisted of the following:

	2016	2015	2014
Current income tax provision	**$ 781**	$ 874	$ 930
Deferred income tax provision (benefit):			
Accrued cooperative advertising	**(44)**	(23)	(399)
Allowance for inventory obsolescence	**45**	(39)	(64)
Deferred compensation	**(721)**	84	(15)
Asset impairment	**–**	–	185
Compensated absences	**(32)**	33	(62)
Retirement plans	**901**	17	18
Volume incentive accrual	**(201)**	(658)	(841)
Postretirement healthcare benefits	**106**	156	232
Allowance for doubtful accounts	**(4)**	9	369
Accrued self-insured claims	**(33)**	153	108
Prepaids and other	**(139)**	69	66
Net deferred taxes	**(122)**	(199)	(403)
Provisions for income taxes	**$ 659**	$ 675	$ 527

Deferred income taxes are provided to recognize the effects of temporary differences between financial reporting and income tax reporting. The more significant temporary differences arise from various accrued liabilities, which exceed currently deductible amounts. Management believes it is more likely than not that deferred income tax assets will be realized in full. Accordingly, no valuation allowance has been provided.

At June 25, 2016, components of net deferred income taxes recognized in the consolidated balance sheet included deferred income tax assets of $22,098 and deferred income tax liabilities of $1,035. At June 27, 2015, components of net deferred income taxes recognized in the consolidated balance sheet included deferred income tax assets of $26,500 and deferred income tax liabilities of $2,129.

State income tax obligations and the non-deductible expenses give rise to the difference between taxes computed at the U.S. federal statutory income tax rate and the provision for income taxes recorded in the consolidated statements of income.

June 25, 2016, June 27, 2015 and June 28, 2014 (Amounts in thousands, except share data)

NOTE 10
FAIR VALUE

The following table summarizes the Company's financial assets measured at fair value on a recurring basis in accordance with ASC 820-10 as of June 25, 2016:

	2016	Level 1	Level 2	Level 3
Cash equivalents	$ 18,832	$ 18,832	$ –	$ –
	$ 18,832	$ 18,832	$ –	$ –

The following table summarizes the Company's financial assets measured at fair value on a recurring basis in accordance with ASC 820-10 as of June 27, 2015:

	2015	Level 1	Level 2	Level 3
Cash equivalents	$ 19,935	$ 19,935	$ –	$ –
	$ 19,935	$ 19,935	$ –	$ –

For the Company's cash equivalents (money market accounts), fair value was determined using quoted market prices based on the closing price as of the balance sheet date.

NOTE 11
COMMITMENTS AND CONTINGENCIES

The Company was contingently liable at June 25, 2016 and June 27, 2015, under a loan guarantee program, which has a maximum borrowing capacity of $8 million at June 25, 2016 and $12 million at June 27, 2015, with a Commercial Bank. Under the terms of the loan agreement in order to participate the Borrowers must be both, Members of and approved by, the Company in order to participate in the program.

Under the terms of the program the Bank will provide a Member loan in the form of a term loan to be paid and amortized either over 84 equal monthly installments with any unpaid balance due at maturity or paid in 7 equal annual principal installments on a straight line basis plus interest due monthly.

Interest on the loans will be payable at a fixed rate to be determined by the Bank at the time of funding and will be at the prime rate minus 1%, fixed for a period of 7 years. At June 25, 2016 and June 27, 2015, interest rates on the loans were 2.50% and 2.25%, respectively.

The risk of loss under these agreements is spread over many Members and is the estimated fair value considering both the contingent loss due to default and the value of the Company's guarantee. The Company believes that any potential loss under the agreements in effect at June 25, 2016 and June 27, 2015 will not be material to its financial position or results of operations.

The Company, in the ordinary course of business, is the subject of or party to various pending or threatened litigation. While it is not possible to predict with certainty the outcome of these matters, management of the Company does not believe that they will materially affect the financial position, or operating results or cash flows of the Company.

PHILOSOPHY

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