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.

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.