Do it Best Corp.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018, JUNE 24, 2017, AND JUNE 25, 2016

Do it Best Corp.

Products
Services
Solutions

P.O. Box 868
Fort Wayne, IN
46801-0868
Ph: 260.748.5300

September, 2018

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 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

Do it Best Corp.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Do it Best Corp., which comprises the consolidated balance sheet as of June 30, 2018, and the related consolidated statements of income (loss), comprehensive income (loss), changes in shareholders' equity, and cash flows for the fiscal year then ended, and the related notes to the consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Board of Directors and Member-Shareholders
Do it Best Corp.

Opinion

In our opinion, the 2018 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Do it Best Corp. and its subsidiaries as of June 30, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated balance sheet as of June 24, 2017, and the related consolidated statements of income (loss), comprehensive income (loss), changes in shareholders' equity and cash flows for the two fiscal years then ended of Do it Best Corp. were audited by other auditors whose report dated August 31, 2017, expressed an unmodified opinion on those statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
August 29, 2018

DO IT BEST CORP.
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2018 AND JUNE 24, 2017
(AMOUNTS IN THOUSANDS)

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 64,099	$ 42,132
Short-term investments, held-to-maturity	9,940	29,894
Accounts and notes receivable, less allowance for doubtful accounts of $500 in 2018 and 2017	344,137	345,271
Income tax receivable	1,057	1,436
Merchandise inventories	281,124	262,820
Prepaid expenses and deferred charges	622	721
Total current assets	700,979	682,274
Property and equipment, net	113,177	112,363
Accounts and notes receivable, less current maturities	5,489	5,748
Deferred income taxes	13,199	19,003
Other assets	2,059	7,721
Total assets	$ 834,903	$ 827,109
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 461,789	$ 452,377
Accrued expenses	54,941	54,968
Total current liabilities	516,730	507,345
Long-term portion of accrued pension and other postretirement liabilities	25,413	25,226
Shareholders' equity		
Common stock, voting	3,046	3,001
Common stock, non-voting	650	590
Preference stock	305,951	300,650
Accumulated other comprehensive loss	(18,408)	(13,622)
Retained earnings	1,521	3,919
Total shareholders' equity	292,760	294,538
Total liabilities and shareholders' equity	$ 834,903	$ 827,109

See accompanying Notes to Consolidated Financial Statements.

DO IT BEST CORP.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
YEARS ENDED JUNE 30, 2018, JUNE 24, 2017 AND JUNE 25, 2016
(AMOUNTS IN THOUSANDS)

	2018	2017	2016
Gross sales	$ 3,658,663	$ 3,202,614	$ 3,019,255
Returns and allowances	105,472	117,379	93,313
Net sales	3,553,191	3,085,235	2,925,942
Cost of sales	3,362,400	2,902,305	2,733,689
Gross profit	190,791	182,930	192,253
Selling, general and administrative expenses	69,696	65,362	64,401
Income before other income, profit sharing and pension costs, shareholder's refund and income taxes	121,095	117,568	127,852
Other income, net	2,348	1,238	1,259
Income before profit sharing and pension costs, shareholder's refund and income taxes	123,443	118,806	129,111
Profit sharing and pension costs	13,429	13,119	12,302
Income before shareholders' refund and income taxes	110,014	105,687	116,809
Shareholders' refund			
Cash	77,989	81,905	89,537
Preference stock	30,513	23,173	25,942
Total shareholders' refund	108,502	105,078	115,479
Income before income taxes	1,512	609	1,330
Federal and state income taxes			
Income tax provision	729	582	659
Change in deferred taxes due to newly enacted changes in tax law	6,459	-	-
Total federal and state income taxes	7,188	582	659
Net income (loss)	$ (5,676)	$ 27	$ 671

See accompanying Notes to Consolidated Financial Statements.

DO IT BEST CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED JUNE 30, 2018, JUNE 24, 2017 AND JUNE 25, 2016
(AMOUNTS IN THOUSANDS)

	2018	2017	2016
Net income (loss)	$ (5,676)	$ 27	$ 671
Other comprehensive income (loss):			
Change in defined benefit plans, net of tax	(1,508)	2,255	4,956
Comprehensive income (loss)	$ (7,184)	$ 2,282	$ 5,627

See accompanying Notes to Consolidated Financial Statements.

DO IT BEST CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED JUNE 30, 2018, JUNE 24, 2017 AND JUNE 25, 2016
(AMOUNTS IN THOUSANDS)

	2018	2017	2016
Common stock, voting			
Balance, beginning of year	$ 3,001	$ 3,023	$ 3,048
Shares issued	165	121	136
Shares repurchased	(120)	(143)	(161)
Balance, end of year	3,046	3,001	3,023
Common stock, non-voting			
Balance, beginning of year	590	482	482
Shares issued	78	109	16
Shares repurchased	(18)	(1)	(16)
Balance, end of year	650	590	482
Preference stock			
Balance, beginning of year	300,650	301,711	298,171
Shares issued	30,513	23,173	25,942
Shares repurchased	(25,212)	(24,234)	(22,402)
Balance, end of year	305,951	300,650	301,711
Accumulated other comprehensive loss			
Balance, beginning of year	(13,622)	(15,877)	(20,833)
Change in defined benefit plans, net of tax	(1,508)	2,255	4,956
Reclassification adjustment - Newly enacted tax rates	(3,278)	-	-
Balance, end of year	(18,408)	(13,622)	(15,877)
Retained earnings			
Balance, beginning of year	3,919	3,892	3,221
Net income (loss)	(5,676)	27	671
Reclassification adjustment - Newly enacted tax rates	3,278	-	-
Balance, end of year	1,521	3,919	3,892
Total shareholders' equity	$ 292,760	$ 294,538	$ 293,231

See accompanying Notes to Consolidated Financial Statements.

DO IT BEST CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018, JUNE 24, 2017 AND JUNE 25, 2016
(AMOUNTS IN THOUSANDS)

	2018	2017	2016
Cash flows from operating activities			
Net income (loss)	$ (5,676)	$ 27	$ 671
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	12,569	12,570	11,226
Provision for deferred income taxes	6,840	556	4
Loss on sale of assets	15	13	-
Shareholder refunds in preference shares	30,513	23,173	25,942
Changes in operating assets and liabilities			
Accounts and notes receivable, net	1,393	(37,322)	(16,841)
Income tax receivable	379	(765)	55
Merchandise inventories	(18,304)	(18,106)	13,811
Prepaid expenses, deferred charges and other assets	5,761	1,261	(1,056)
Accounts payable	9,412	83,915	(22,316)
Accrued expenses, pension and other postretirement liabilities	(2,384)	(1,737)	(2,485)
Net cash provided by operating activities	40,518	63,585	9,011
Cash flows from investing activities			
Purchase of short-term investments	(9,940)	(38,929)	(19,965)
Proceeds from redemption of short-term investments	29,894	29,000	-
Proceeds from sale of property and equipment	58	54	-
Capital expenditures	(13,456)	(7,647)	(15,553)
Net cash used in investing activities	6,556	(17,522)	(35,518)
Cash flows from financing activities			
Issuance of common shares	165	121	136
Purchase of common shares	(120)	(143)	(161)
Issuance of non-voting common shares	78	109	16
Purchase of non-voting common shares	(18)	(1)	(16)
Purchase of preference shares	(25,212)	(24,234)	(22,402)
Net cash used in financing activities	(25,107)	(24,148)	(22,427)
Net increase/(decrease) in cash and cash equivalents	21,967	21,915	(48,934)
Cash and cash equivalents, beginning of year	42,132	20,217	69,151
Cash and cash equivalents, end of year	$ 64,099	$ 42,132	$ 20,217

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 nonvoting 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 “2018”, “2017”, and ”2016” relate to the fiscal years ended June 30, 2018, June 24, 2017, and June 25, 2016, respectively.

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.

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 20% in cash.

Upon a member's termination of membership with the Company and demand for repurchase, the Company will repurchase the voting and/or nonvoting common shares held by such shareholder at the lesser of cost or book value. After a holder of voting or nonvoting 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 nonvoting common shares.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $78,000, $81,900 and $89,500 in 2018, 2017, and in 2016, respectively. These amounts are currently included in accounts payable. The Company also issued preference stock shareholder refunds of approximately $30,500, $23,200 and $25,900 in 2018, 2017, and in 2016, 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.

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 27, 2015.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes and Uncertain Tax Positions (Continued)

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 30, 2018 or June 24, 2017.

Inventory Valuation

Merchandise inventories are valued at the lower of cost or net realizable value, 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). Other comprehensive income (loss) represents the change in the Company’s defined benefit 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 owed 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 2018 and 2017, the Company capitalized approximately $6,445 and $2,455, respectively, of software development costs which consisted of both internally developed and purchased software costs. Amortization expense for all capitalized software was $4,298 and $4,331 for 2018 and 2017, 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 2018 or 2017.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 operation in 2018, 2017, and 2016 were $16,301, $15,974 and $17,217, respectively.

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 2018 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 $9,940 and $29,894 as of June 30, 2018 and June 24, 2017, respectively. The fair value is $9,936 and $29,891 as of June 30, 2018 and June 24, 2017, respectively.

Subsequent Events

Management evaluated subsequent events and transactions for potential recognition or disclosure through August 29, 2018, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2018, but prior to August 29, 2018, that provided additional evidence about conditions that existed at June 30, 2018, have been recognized in the balance sheet as of June 30, 2018. Events or transactions that provided evidence about conditions that did not exist at June 30, 2018, but arose before the consolidated financial statements were available to be issued, have not been recognized in the consolidated financial statements as of June 30, 2018.

Change in Accounting Principle

In November 2015, the FASB issued ASU No. 2015-17*, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* (ASU 2015-17), which simplifies the presentation of deferred income taxes. ASU 2015-17 requires that deferred tax assets and liabilities be classified as noncurrent in a classified balance sheet, instead of separating deferred taxes into current and noncurrent amounts. During the fiscal year ended June 30, 2018, the Company elected to retrospectively adopt ASU 2015-17.

In February 2018, the FASB issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* (ASU 2018-02), which allows entities to reclassify from accumulated other comprehensive income (loss) to retained earnings stranded tax effects resulting from the newly enacted federal income tax rate. During the fiscal year ended June 30, 2018, the Company has elected to make this reclassification, which amounted to $3,278, as reflected in the consolidated statement of changes in shareholders' equity.

(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the June 24, 2017 balance sheet have been reclassified to conform to the June 30, 2018 presentation. The reclassifications had no effect on the previously reported financial position, results of operations or cash flows.

New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and corresponding lease liability for all operating and capital leases with lease terms greater than one year. The standard is effective for fiscal years beginning after December 15, 2019, and early adoption is permitted. The Company is evaluating the impact of the amended lease guidance on its consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. Additionally, the ASU requires the deferral of direct incremental selling costs to the period in which the underlying revenue is recognized. The amendments in the ASU will be applied using one of two retrospective methods. The new guidance is effective for years beginning after December 15, 2018, and management is still evaluating the impact of adoption on the consolidated financial statements but it is not expected to have a significant impact.

NOTE 2 CASH FLOWS

Supplemental disclosures of cash flow information for the years ended 2018, 2017, and 2016 are as follows:

	2018	2017	2016
Cash paid for income taxes	$ -	$ 800	$ 600

(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

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 $30,000 from April 1 to June 1 and $20,000 from June 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 30, 2018 or June 24, 2017. The line of credit agreement expires on March 31, 2019. Outstanding letters of credit approximated $193 and $324 at June 30, 2018 and June 24, 2017, respectively.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment is summarized by major classification as follows at June 30, 2018 and June 24, 2017:

	2018	2017
Land, building and site improvements	$ 140,192	$ 139,753
Equipment and fixtures	72,204	73,246
Capitalized software	39,017	32,002
Construction in progress	5,423	325
	256,836	245,326
Less accumulated depreciation and amortization	143,659	132,963
Property and equipment, net	$ 113,177	$ 112,363

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 2022. Various agreements are cancelable at the option of the Company upon fulfillment of certain conditions. Future annual minimum lease payments under all noncancelable operating leases as of June 30, 2018 approximate $15,740, $13,228, $11,476, and $4,908 in 2019, 2020, 2021, and 2022, respectively, for an aggregate total of $45,352. Rents charged to operations under all operating leases, including weekly and monthly rents along with fuel and associated costs of transportation rentals during 2018, 2017, and 2016 were approximately $51,100, $46,300, and $44,900, respectively.

(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:

	2018	2017	2016
Common stock, voting $50 par value, 990,000 shares authorized:			
Shares outstanding, beginning of year	60,020	60,460	60,960
Shares issued	3,300	2,420	2,720
Shares repurchased	(2,400)	(2,860)	(3,220)
Shares outstanding, end of year	60,920	60,020	60,460
Common stock, non-voting $50 par value, 100,000 shares authorized:			
Shares outstanding, beginning of year	11,800	9,630	9,630
Shares issued	1,540	2,180	310
Shares repurchased	(340)	(10)	(310)
Shares outstanding, end of year	13,000	11,800	9,630
Preference share, $100 par value, 4,000,000 shares authorized:			
Shares outstanding, beginning of year	3,006,500	3,017,105	2,981,709
Shares issued	305,132	231,732	259,416
Shares repurchased	(252,126)	(242,337)	(224,020)
Shares outstanding, end of year	3,059,506	3,006,500	3,017,105

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 2018, 2017, and 2016, Do it Best was charged $164, $160 and $170, respectively, by the Alliance for administrative costs. Do it Best was paid $49, $46 and $42, respectively, in 2018, 2017, and 2016 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 $4,000, $4,700 and $3,600 for 2018, 2017, and 2016, respectively. Benefits paid to employees related to this plan approximated $9,600, $10,700 and $9,700 in 2018, 2017, and 2016, respectively. Cost related to the defined contribution profit sharing plan approximated $9,400, $8,400 and $8,700 in 2018, 2017, and 2016, 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 $4,400 will be contributed to the defined benefit pension plan by the Company during the fiscal year ending June 30, 2019.

Expected benefit payments for the ensuing five years and in the aggregate related to the defined benefit pension plan approximate $8,200, $9,000, $8,600, $7,800 and $8,900 in 2019, 2020, 2021, 2022, and 2023, respectively. Expected benefit payments from 2024 to 2028 approximate $39,400, for an aggregate total of $81,900.

Effective January 1, 2016, the defined benefit pension 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 $153, $72 and $96 in 2018, 2017, and 2016, respectively. Participant contributions to the Plan aggregated $-0-, $-0-, and $23 in 2018, 2017, and 2016, respectively. Benefits paid to employees related to the Plan aggregated $505, $475, and $675 in 2018, 2017, and 2016, respectively.

Management estimates approximately $619 will be contributed to the Plan by the Company during the fiscal year ending June 2019.

Expected benefit payments for the ensuing five years and in the aggregated related to the Plan approximate $600, $600, $500, $500, and $300 in 2019, 2020, 2021, 2022 and 2023, respectively. Expected benefit payments from 2024 to 2028 approximate $1,300, for an aggregate total of $3,800.

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

Postretirement Medical Benefit Plan (Continued)

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 Accumulated Postretirement Benefit Obligation 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.

(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

The measurement date used to determine the benefit obligations were each June 30.

	Retirement and Pension Plan			Postretirement Medical Plan		
	2018	2017	2016	2018	2017	2016
Change in benefit obligation:						
Beginning balance	$ 97,561	$ 100,724	$ 117,266	$ 4,293	$ 5,275	$ 5,538
Service cost	4,442	4,798	4,744	-	-	-
Interest cost	4,051	4,070	4,152	165	192	241
Plan participants' contributions	-	-	-	-	-	23
Actuarial (gain)/loss	1,638	(1,361)	1,966	(188)	(699)	149
Plan change	-	-	(17,739)	-	-	-
Benefit paid	(9,575)	(10,670)	(9,665)	(505)	(475)	(676)
Ending balance	$ 98,117	$ 97,561	$ 100,724	$ 3,765	$ 4,293	$ 5,275
Change in plan assets:						
Beginning balance at fair value	$ 75,159	$ 73,862	$ 77,321	$ -	$ -	$ 1,075
Actual return on plan assets	3,703	5,482	(1,162)	-	-	26
Company contributions (refund)	5,710	6,485	7,368	505	475	(448)
Plan participants' contributions	-	-	-	-	-	23
Benefits paid	(9,575)	(10,670)	(9,665)	(505)	(475)	(676)
Ending balance at fair value	$ 74,997	$ 75,159	$ 73,862	$ -	$ -	$ -
Under funded status	$ (23,120)	$ (22,402)	$ (26,862)	$ (3,765)	$ (4,293)	$ (5,275)
Amounts recognized in statement of financial position consist of:						
Current liabilities	$ (867)	$ (819)	$ (1,164)	$ (605)	$ (650)	$ (756)
Non-current liabilities	(22,253)	(21,583)	(25,698)	(3,160)	(3,643)	(4,519)
Net liabilities recognized in balance sheet	$ (23,120)	$ (22,402)	$ (26,862)	$ (3,765)	$ (4,293)	$ (5,275)
Reconciliation of amounts recognized in accumulated other comprehensive income (loss)						
Prior service cost	$ 13,181	$ 14,674	$ 16,166	$ 2,001	$ 2,397	$ 2,794
Net actuarial loss	(39,623)	(38,733)	(42,931)	(775)	(1,041)	(1,872)
Accumulated other comprehensive income (loss)	(26,442)	(24,059)	(26,765)	1,226	1,356	922
Accrued benefits cost	3,322	1,657	(97)	(4,991)	(5,649)	(6,197)
Net liability recognized in balance sheet	$ (23,120)	$ (22,402)	$ (26,862)	$ (3,765)	$ (4,293)	$ (5,275)
Change in accumulated other comprehnsive income (loss)						
Beginning of year (no tax effect)	$ (24,059)	$ (26,765)	$ (36,103)	$ 1,356	$ 304	$ 1,381
Less amounts amortized during the year:						
Prior service cost (credit) arising during the year	(1,493)	(1,493)	(1,493)	(396)	(396)	(396)
Net loss (gain) arising during the year	2,592	2,817	2,049	78	132	121
Occurring during the year:						
Plan change	-	-	17,740	-	618	(618)
Amortization of net gain (loss)	(3,482)	1,382	(8,958)	188	698	(184)
End of year	(26,442)	(24,059)	(26,765)	1,226	1,356	304
Deferred income taxes	7,139	9,624	10,706	(331)	(543)	(122)
Accumulated other comprehensive income (loss), net of tax	$ (19,303)	$ (14,435)	$ (16,059)	$ 895	$ 813	$ 182
Estimated amounts to be amortized from accumulated other comprehensive income over the next fiscal year:						
Prior service credit (cost)	$ 1,493	$ 1,493	$ 1,492	$ 397	$ 396	$ 396
Net actuarial loss	(2,688)	(2,557)	(2,893)	(70)	(102)	(132)
Total	$ (1,195)	$ (1,064)	$ (1,401)	$ 327	$ 294	$ 264

(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

As of June 30, 2018 the defined benefit pension plans and the postretirement medical plan had accumulated benefit obligations of approximately $98,000 and $3,800, respectively. At June 24, 2017, the defined benefit pension plans and the postretirement medical plan experienced accumulated benefit obligations of approximately $97,600 and $4,300, respectively. At June 25, 2016, the defined benefit pension plans and the postretirement medical plan experienced accumulated benefit obligations of approximately $100,700 and $5,300, respectively.

The change in deferred taxes recognized in other comprehensive income (loss) approximated ($2,300), ($1,500), and ($3,300) during 2018, 2017, and 2016, respectively.

	Retirement and Pension Plan			Postretirement Medical Plan		
	2018	2017	2016	2018	2017	2016
Components of net periodic benefit (costs)/income:						
Service cost	$ (4,442)	$ (4,798)	$ (4,744)	$ -	$ -	$ -
Interest cost	(4,051)	(4,070)	(4,152)	(165)	(192)	(241)
Expected return on plan assets	5,546	5,463	5,829	-	-	61
Amortization	(1,099)	(1,325)	(556)	318	264	276
Net periodic benefit (costs)/income	$ (4,046)	$ (4,730)	$ (3,623)	$ 153	$ 72	$ 96

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

	2018 Retirement and Pension Plan	2018 Post-retirement Medical	2017 Retirement and Pension Plan	2017 Post-retirement Medical	2016 Retirement and Pension Plan	2016 Post-retirement Medical
Discount rate	4.35%	4.35%	4.35%	4.35%	4.25%	4.25%
Salary increase	4.00%	N/A	4.00%	N/A	4.04%	N/A
Current year trend	N/A	7.00%	N/A	7.00%	N/A	7.50%
Ultimate year trend	N/A	5.00%	N/A	5.00%	N/A	5.00%
Year of ultimate trend date	N/A	2026	N/A	2021	N/A	2021

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

	Retirement and Pension Plan	Post-retirement Medical	Retirement and Pension Plan	Post-retirement Medical	Retirement and Pension Plan	Post-retirement Medical
Discount rate	4.35%	4.35%	4.25%	4.25%	4.50%	4.50%
Salary increase	N/A	N/A	4.00%	N/A	4.04%	N/A
Long-term rate of return on assets	7.50%	N/A	7.50%	N/A	7.50%	7.50%
Current year trend	N/A	6.50%	N/A	7.00%	N/A	7.50%
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

Defined Benefit 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 rates of 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.

(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

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.

The defined benefit plan's assets are composed primarily of corporate equity and debt securities and U.S. government securities and are directed by the employer. The defined benefit pension plan assets held consisted of the following at June 30, 2018 and June 24, 2017:

	2018		2017	
	Target Allocation:	Retirement and Pension Plan	Target Allocation:	Retirement and Pension Plan
Equity securities	52%	57%	58%	54%
Debt securities	33%	36%	34%	43%
Other	15%	7%	8%	3%
Total	100%	100%	100%	100%

No assets were held by the postretirement medical benefit plan at June 30, 2018 or June 24, 2017.

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.

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.

(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

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 30, 2018:

Defined Benefit Pension Plan	Quoted prices in active markets for identical assets (Level 1)
Mutual funds	
Money Market	$ 1,363
Domestic Equity	22,358
International Equity	17,967
Domestic Fixed	27,143
Alternative	5,011
Domestic equity exchange traded	1,155
	$ 74,997

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 24, 2017:

Defined Benefit Pension Plan	Quoted prices in active markets for identical assets (Level 1)
Mutual funds	
Money Market	$ 89
Domestic Equity	22,890
International Equity	12,900
Domestic Fixed	28,057
Management Futures	1,906
Alternative	4,416
International equity exchange traded	3,518
Domestic equity exchange traded	1,383
	$ 75,159

NOTE 9 INCOME TAXES

On December 22, 2017, the Tax Cuts and Job Act (the Tax Act) was signed into United States tax law. The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reduction of the U.S. federal corporate tax rate from 35% to 21%; (2) elimination of the corporate alternative minimum tax (AMT); (3) a general elimination of U.S. federal income taxes on dividends from foreign subsidiaries; (4) current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations; (5) a new limitation on deductible interest expense; (6) limitations on the deductibility of certain executive compensation; (7) limitations on the use of FTCs to reduce the U.S. income tax liability; and (8) limitations on net operating losses (NOLs) generated after December 31, 2017, to 80% of taxable income.

The Securities and Exchange Commission staff issued Staff Accounting Bulletin (SAB) 118, which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the laws that were in effect immediately before the enactment of the Tax Act.

The changes included in the Tax Act are broad and complex. The final transition impacts of the Act may differ from the above estimate, possibly materially, due to, among other things, changes in interpretations of the Tax Act, any legislative action to address questions that arise because of the Tax Act, any changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to estimates the company has utilized to calculate the transition impacts, including impacts from changes to current year earnings estimates. FASB has issued guidance that would allow for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. The Company currently anticipates finalizing and recording any resulting adjustments by the end of the current fiscal year ending June 29, 2019.

The Tax Act reduces the U.S. federal corporate tax rate from a graduated rate up to 35% to a flat rate of 21%, effective January 1, 2018. The Company has adjusted its deferred tax assets and liabilities at December 31, 2017 to reflect the Tax Act's reduction of corporate income tax rates which are expected to be in effect in future years as the deferred tax assets and liabilities are realized.

(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 9 INCOME TAXES (CONTINUED)

The provision for income taxes at June 30, 2018, June 24, 2017, and June 25, 2016, consisted of the following:

	2018	2017	2016
Federal income tax:			
Current	$ 286	$ 189	$ 625
Deferred	313	276	(98)
State income tax:			
Current	62	33	156
Deferred	68	84	(24)
Change in deferred taxes due to newly enacted changes in tax law	6,459	-	-
	$ 7,188	$ 582	$ 659

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.

The Company's deferred tax assets and deferred tax liabilities are as follows:

	2018	2017
Assets		
Accrued expenses	$ 2,801	$ 4,545
Deferred compensation	3,715	4,902
Allowance for doubtful accounts	135	200
Inventory obsolescence	624	866
Post retirement health care expense	1,348	2,260
Retirement and pension plan	6,900	9,187
Total assets	15,523	21,960
Liabilities		
Retirement plan expense	(2,066)	(2,568)
Prepaids and other	(166)	(283)
Postretirement medical plan	(92)	(106)
Total liabilities	(2,324)	(2,957)
Net deferred tax asset	$ 13,199	$ 19,003

(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 9 INCOME TAXES (CONTINUED)

The income tax provision differs from that calculated at the expected blended rate of 27.5% (2017; effective rate of 34%) for the following reasons:

	2018	2017
Income tax expense at statutory rates	$ 416	$ 207
Effect of newly enacted tax rates	6,459	-
State taxes, net of federal benefit	130	117
Nondeductible expenses	170	454
Other	13	(196)
	$ 7,188	$ 582

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 30, 2018:

	2018	Level 1	Level 2	Level 3
Cash equivalents	$ 20,454	$ 20,454	$ -	$ -
	$ 20,454	$ 20,454	$ -	$ -

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 24, 2017:

	2017	Level 1	Level 2	Level 3
Cash equivalents	$ 20,220	$ 20,220	$ -	$ -
	$ 20,220	$ 20,220	$ -	$ -

For the Company's cash equivalents (money market accounts), fair value was determined using quoted market prices based on the closing price (Level 1 inputs) as of the balance sheet date.

NOTE 11 COMMITMENTS AND CONTINGENCIES

The Company was contingently liable at June 30, 2018 and June 24, 2017, under a loan guarantee program, which has a maximum borrowing capacity of $12,000 at June 30, 2018 and June 24, 2017, with two Commercial Banks. 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.

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Interest on the loans will be payable at a fixed or variable rate to be determined by the Banks at the time of funding. At June 30, 2018 interest rates on the loans ranged from 2.25% to 5.86%. At June 24, 2017, interest rates on the loans ranged from 2.25% to 3.00%.

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 30, 2018 and June 24, 2017 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.