

Do it Best Corp.

FINANCIAL STATEMENTS

Years ended June 30, 2007, June 24, 2006, and June 25, 2005

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.



Robert N. Taylor
President and CEO



David W. Dietz
Vice President of Finance

Do it Best Corp.

FINANCIAL STATEMENTS

Years ended June 30, 2007, June 24, 2006, and June 25, 2005

CONTENTS

REPORT OF INDEPENDENT AUDITORS.....	F3
FINANCIAL STATEMENTS	
CONSOLIDATED BALANCE SHEETS.....	F4
CONSOLIDATED STATEMENTS OF INCOME	F5
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY	F6
CONSOLIDATED STATEMENTS OF CASH FLOWS	F7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	F8

Do it Best Corp.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Member-Shareholders

Do it Best Corp.

Fort Wayne, Indiana

We have audited the accompanying consolidated balance sheets of Do it Best Corp. ("the Company") as of June 30, 2007 and June 24, 2006, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended June 30, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 30, 2007 and June 24, 2006, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 4 to the consolidated financial statements, the Company changed its method of accounting for its defined benefit pension and other postretirement plans in 2007.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Fort Wayne, Indiana

September 13, 2007

Do it Best Corp.

CONSOLIDATED BALANCE SHEETS

June 30, 2007 and June 24, 2006

(Amounts in thousands)

2007

2006

ASSETS

Current assets

Cash and cash equivalents	\$172,863	\$104,035
Accounts and notes receivable, less allowance for doubtful accounts of \$1,047 in 2007 and \$1,552 in 2006	269,230	323,106
Income tax receivable	528	1,174
Merchandise inventories	205,290	236,019
Prepaid expenses and deferred charges	909	1,000
Deferred income taxes	3,250	3,636

Total current assets	652,070	668,970
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Property and equipment, net	95,278	99,005
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Accounts and notes receivable, less current maturities	7,415	5,745
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Deferred income taxes	5,908	2,732
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Deposits and deferred charges	773	1,275
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Other	1,114	525
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Total assets	\$762,558	\$778,252
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Accounts payable	\$416,465	\$434,783
Accrued expenses	42,759	54,706

Total current liabilities	459,224	489,489
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Long-term portion of accrued pension	13,230	4,563
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Shareholders' equity

Common stock, voting	3,569	3,636
Common stock, non-voting	388	412
Preference stock	290,973	281,207
Accumulated other comprehensive loss	(4,260)	—
Accumulated deficit	(566)	(1,055)

Total shareholders' equity	290,104	284,200
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Total liabilities and shareholders' equity	\$762,558	\$778,252
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Do it Best Corp.

CONSOLIDATED STATEMENTS OF INCOME

Years ended June 30, 2007, June 24, 2006, and June 25, 2005

(Amounts in thousands)	2007	2006	2005
Gross sales	\$2,809,374	\$3,054,524	\$2,953,441
Returns and allowances	<u>104,151</u>	<u>102,591</u>	<u>98,201</u>
Net sales	2,705,223	2,951,933	2,855,240
Cost of sales	<u>2,518,108</u>	<u>2,766,343</u>	<u>2,686,156</u>
Gross profit	187,115	185,590	169,084
Selling, general and administrative expenses	<u>54,840</u>	<u>52,361</u>	<u>45,098</u>
Income before other income, profit sharing and pension costs, shareholders' refund and income taxes	132,275	133,229	123,986
Other income, net	<u>9,418</u>	<u>5,148</u>	<u>3,855</u>
Income before profit sharing and pension costs, shareholders' refund and income taxes	141,693	138,377	127,841
Profit sharing and pension costs	<u>14,362</u>	<u>15,277</u>	<u>13,499</u>
Income before shareholders' refund and income taxes	127,331	123,100	114,342
Shareholders' refund			
Cash	93,642	84,857	78,652
Preference stock	<u>32,562</u>	<u>37,217</u>	<u>35,002</u>
Total shareholders' refund	<u>126,204</u>	<u>122,074</u>	<u>113,654</u>
Income before income taxes	1,127	1,026	688
Federal and state income taxes	<u>638</u>	<u>634</u>	<u>635</u>
Net income	<u>\$489</u>	<u>\$392</u>	<u>\$53</u>

Do it Best Corp.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended June 30, 2007, June 24, 2006, and June 25, 2005

(Amounts in thousands)	2007	2006	2005
Common stock, voting			
Balance, beginning of year	\$3,636	\$3,693	\$3,747
Shares issued	157	177	222
Shares repurchased	(224)	(234)	(276)
Balance, end of year	3,569	3,636	3,693
Common stock, non-voting			
Balance, beginning of year	412	368	358
Shares issued	16	47	16
Shares repurchased	(40)	(3)	(6)
Balance, end of year	388	412	368
Preference stock			
Balance, beginning of year	281,207	263,970	249,502
Shares issued	32,562	37,217	35,002
Shares repurchased	(22,796)	(19,980)	(20,534)
Balance, end of year	290,973	281,207	263,970
Accumulated other comprehensive loss			
Balance, beginning of year	-	-	-
Adjustment to initially apply SFAS No. 158, net of tax	(4,260)	-	-
Balance, end of year	(4,260)	-	-
Accumulated deficit			
Balance, beginning of year	(1,055)	(1,447)	(1,500)
Net income	489	392	53
Balance, end of year	(566)	(1,055)	(1,447)
Total shareholders' equity	<u>\$290,104</u>	<u>\$284,200</u>	<u>\$266,584</u>

Do it Best Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2007, June 24, 2006, and June 25, 2005

(Amounts in thousands)	2007	2006	2005
Cash flows from operating activities			
Net income	\$489	\$392	\$53
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	8,669	7,182	6,105
Other	30	160	22
Provision for deferred income taxes	50	232	(1,064)
Shareholder refunds in preference shares	32,562	37,217	35,002
Changes in operating assets and liabilities			
Accounts and notes receivable, net	52,206	(15,263)	(12,725)
Merchandise inventories	30,729	(42,993)	357
Prepaid expenses and deferred charges	91	(159)	311
Deposits and deferred charges	385	(609)	(28)
Accounts payable	(18,318)	81,521	(472)
Accrued federal income taxes	646	(2,073)	899
Accrued expenses	(10,852)	1,296	5,930
Net cash provided by operating activities	96,687	66,903	34,390
Cash flows from investing activities			
Capital expenditures	(4,972)	(25,764)	(24,553)
Net cash used in investing activities	(4,972)	(25,764)	(24,553)
Cash flows from financing activities			
Issuance of common shares	157	177	222
Purchase of common shares	(224)	(234)	(276)
Issuance of non-voting common shares	16	47	16
Purchase of non-voting common shares	(40)	(3)	(6)
Purchase of preference shares	(22,796)	(19,980)	(20,534)
Net cash used in financing activities	(22,887)	(19,993)	(20,578)
Net increase (decrease) in cash and cash equivalents	68,828	21,146	(10,741)
Cash and cash equivalents, beginning of year	104,035	82,889	93,630
Cash and cash equivalents, end of year	\$172,863	\$104,035	\$82,889

Do it Best Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007, June 24, 2006, and June 25, 2005

(Amounts in thousands, except share data)

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, Our Own Hardware Company d/b/a Do it Best Financial Corp., Do it Best Sales Corp., and Do it Best Commerce Company, LLC (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 “2007,” “2006” and “2005” relate to the fiscal years ended June 30, 2007, June 24, 2006 and June 25, 2005.

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 purchase of the preference shares held by such shareholder, subject to statutory and By-Law restrictions,

in sequence of termination, with the completion of repurchases typically deferred for eighteen to twenty-four months after Board of Directors approval.

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 Best Rewards® program.

Use of estimates: Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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: 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.

(Amounts in thousands, except share data)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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.

Fair value of financial instruments: 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.

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.

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. Approximately \$5,700 and \$5,900 of recorded trade receivables, past due by 90 days, were accruing interest at June 30, 2007 and June 24, 2006, respectively. 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.

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.

Reclassification: Certain prior year amounts have been reclassified to conform to the current year presentation.

Do it Best Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007, June 24, 2006, and June 25, 2005

(Amounts in thousands, except share data)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is calculated using a combination of straight-line and accelerated methods. Estimated useful lives range from fifteen to forty years for building and improvements, and from three to ten years for equipment and fixtures. Property and equipment is summarized by major classification as follows at June 30, 2007 and June 24, 2006:

	2007	2006
Land, buildings and site improvements	\$105,972	\$105,303
Equipment and fixtures	56,387	52,379
	<u>162,359</u>	<u>157,682</u>
Less accumulated depreciation and amortization	67,081	58,677
Property and equipment, net	<u>\$95,278</u>	<u>\$99,005</u>

Advertising and promotion costs: Costs associated with advertising and promotion 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 charged to operations in 2007, 2006 and 2005 were \$19,233, \$18,670 and \$17,198, respectively.

New accounting pronouncement: In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R)*. This Statement required Do it Best

to recognize the overfunded or underfunded status of its defined benefit pension and other postretirement plans as an asset or liability, respectively, in its balance sheet, beginning with its fiscal year ended June 30, 2007, and prospectively requires recognition of changes in that funded status through comprehensive income in the year in which those changes occur. SFAS No. 158 also requires measurement of a plan's assets and benefit obligations as of the end date of the employer's fiscal year, beginning with fiscal years ending after December 15, 2008. See Note 4 - *Employee Benefit Plans*, for further discussion regarding the Company's adoption of SFAS No. 158. The Company's adoption of SFAS No. 158 had the following effects on individual line items in the 2007 balance sheet:

Do it Best Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007, June 24, 2006, and June 25, 2005

(Amounts in thousands, except share data)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	BEFORE APPLICATION OF SFAS NO. 158	ADJUSTMENTS	AFTER APPLICATION OF SFAS NO. 158
Prepaid pension expense	\$ -	\$473	\$473
Deferred income taxes	6,318	2,840	9,158
Other assets	752,927	-	752,927
	<u>759,245</u>	<u>-</u>	<u>752,927</u>
Total assets	<u>\$759,245</u>	<u>\$3,313</u>	<u>\$762,558</u>
Accrued pension/medical plan liability	\$5,935	\$7,573	\$13,508
Other payables and liabilities	458,946	-	458,946
Accumulated other comprehensive loss	-	(4,260)	(4,260)
Other shareholders' equity	294,364	-	294,364
	<u>759,245</u>	<u>-</u>	<u>762,558</u>
Total liabilities and shareholders' equity	<u>\$759,245</u>	<u>\$3,313</u>	<u>\$762,558</u>

Comprehensive income: Comprehensive income is a more inclusive measurement of results, including items that are not recognized in the measurement of net income. Do it Best does not have any material items of comprehensive income includible in these consolidated financial statements. For the year ended June 30, 2007, the Company's adoption of SFAS No. 158 affected Accumulated other comprehensive loss, by recognition of the funded status of the Company's defined benefit pension and other postretirement plans.

NOTE 2 – CASH FLOWS

Supplemental disclosures of cash flow information for the years ended June 30, 2007, June 24, 2006 and June 25, 2005 are as follows:

	2007	2006	2005
Cash paid for income taxes	\$1,313	\$2,226	\$1,428
Cash paid for interest	22	29	11
Adjustments due to application of SFAS 158:			
Accrued pension liability	7,573	-	-
Prepaid pension asset	(473)	-	-
Deferred tax asset	(2,840)	-	-
Accumulated other comprehensive income	(4,260)	-	-

Do it Best Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007, June 24, 2006, and June 25, 2005

(Amounts in thousands, except share data)

NOTE 3 – CAPITAL STOCK SHARE DATA

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

	2007	2006	2005
Common stock, voting \$50 par value, 990,000 shares authorized:			
Shares outstanding, beginning of year	72,720	73,860	74,940
Shares issued	3,140	3,540	4,440
Shares repurchased	<u>(4,480)</u>	<u>(4,680)</u>	<u>(5,520)</u>
Shares outstanding, end of year	<u>71,380</u>	<u>72,720</u>	<u>73,860</u>
Common stock, non-voting \$50 par value, 100,000 shares authorized:			
Shares outstanding, beginning of year	8,220	7,340	7,140
Shares issued	310	940	310
Shares repurchased	<u>(780)</u>	<u>(60)</u>	<u>(110)</u>
Shares outstanding, end of year	<u>7,750</u>	<u>8,220</u>	<u>7,340</u>
Preference shares, \$100 par value, 4,000,000 shares authorized:			
Shares outstanding, beginning of year	2,812,062	2,639,692	2,495,012
Shares issued	325,620	372,170	350,020
Shares repurchased	<u>(227,957)</u>	<u>(199,800)</u>	<u>(205,340)</u>
Shares outstanding, end of year	<u>2,909,725</u>	<u>2,812,062</u>	<u>2,639,692</u>

Do it Best Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007, June 24, 2006, and June 25, 2005

(Amounts in thousands, except share data)

NOTE 4 – 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 \$3,656, \$4,798 and \$3,561 for 2007, 2006 and 2005, respectively. Benefits paid to employees related to this plan approximated \$2,093, \$3,071 and \$2,870 in 2007, 2006 and 2005, respectively. Cost related to the defined contribution profit sharing plan approximated \$10,707, \$10,480 and \$9,937 in 2007, 2006 and 2005, 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 \$3,850 will be contributed to the defined benefit pension plans by the Company during the fiscal year ending June 28, 2008.

Expected benefit payments for the ensuing five years and in the aggregate for the following five years related to the defined benefit pension plans are as follow:

2008	\$1,527
2009	2,209
2010	2,581
2011	2,679
2012	3,636
2013-2017	<u>30,971</u>
	<u>\$43,603</u>

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. Costs related to the Plan approximated \$1,074, \$975 and \$861 in 2007, 2006 and 2005, respectively. Participant contributions to the Plan approximated \$139, \$158 and \$59 in 2007, 2006, and 2005, respectively. Benefits paid to employees related to the Plan approximated \$639, \$643 and \$693 in 2007, 2006 and 2005, respectively.

Management estimates approximately \$286 will be contributed to the Plan by the Company during the fiscal year ending June 28, 2008.

Expected benefit payments for the ensuing five years and in the aggregate related to the Plan as of June 30, 2007 approximate \$562, \$614, \$591, \$665, \$716 in 2008, 2009, 2010, 2011 and 2012, respectively. Expected benefit payments from 2013 to 2017 approximate \$5,132, for an aggregate total of \$8,280.

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. During 2007, the percentage of future participating retirees electing to pay a one-time lump sum contribution change from 25% to 75%, which represents a change in actuarial assumptions.

Do it Best Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007, June 24, 2006, and June 25, 2005

(Amounts in thousands, except share data)

NOTE 4 – EMPLOYEE BENEFIT PLANS (continued)

As of June 30, 2007, the defined benefit pension plans and the postretirement medical plan experienced accumulated benefit obligations of \$39,485 and \$10,915, respectively. At June 24, 2006, the defined benefit pension plans and the postretirement medical plan experienced accumulated benefit obligations of \$34,862 and \$11,042, respectively.

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 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.

All Plans' assets are composed primarily of corporate equity and debt securities and U.S. government securities and, depending on the plan, are directed by either the employee or the employer. Plan assets held consisted of the following at June 30, 2007, and June 24, 2006:

	2007	2007	2006	2006
	Retirement and Pension Plan	Post- retirement Medical	Retirement and Pension Plan	Post- retirement Medical
Equity securities	67%	65%	66%	52%
Debt securities	32%	30%	34%	30%
Other	1%	5%	0%	18%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Do it Best Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007, June 24, 2006, and June 25, 2005

(Amounts in thousands, except share data)

NOTE 4 – EMPLOYEE BENEFIT PLANS (continued)

The following 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.

	2007	2006	2005	2007	2006	2005
	Retirement and Pension Plan	Retirement and Pension Plan	Retirement and Pension Plan	Post- retirement Medical Plan	Post- retirement Medical Plan	Post- retirement Medical Plan
Change in benefit obligation:						
Beginning balance	\$46,544	\$48,300	\$40,114	\$11,042	\$10,600	\$11,712
Service cost	3,586	4,061	3,247	262	216	171
Interest cost	2,852	2,569	2,397	643	539	557
Plan participants' contributions	-	-	-	139	158	59
Actuarial (gain)/loss	(42)	(5,315)	5,412	(532)	172	(1,413)
Plan change	-	-	-	-	-	207
Benefits paid	<u>(2,093)</u>	<u>(3,071)</u>	<u>(2,870)</u>	<u>(639)</u>	<u>(643)</u>	<u>(693)</u>
Ending balance	<u>\$50,847</u>	<u>\$46,544</u>	<u>\$48,300</u>	<u>\$10,915</u>	<u>\$11,042</u>	<u>\$10,600</u>
Change in plan assets:						
Beginning balance at fair value	\$38,565	\$35,240	\$31,990	\$1,796	\$1,597	\$1,867
Actual return on plan assets	6,413	3,004	2,465	246	166	114
Company contributions	3,850	3,392	3,655	450	518	250
Plan participants' contributions	-	-	-	139	158	59
Benefits paid	<u>(2,093)</u>	<u>(3,071)</u>	<u>(2,870)</u>	<u>(639)</u>	<u>(643)</u>	<u>(693)</u>
Ending balance at fair value	<u>\$46,735</u>	<u>\$38,565</u>	<u>\$35,240</u>	<u>\$1,992</u>	<u>\$1,796</u>	<u>\$1,597</u>
Reconciliation of funded status to net amounts recognized:						
Funded status-plan assets less than						
projected benefit obligation	\$(4,112)	\$(7,979)	\$(13,060)	\$(8,923)	\$(9,246)	\$(9,003)
Unrecognized transition amount	-	-	-	-	864	992
Unrecognized net loss	-	6,371	12,647	-	2,891	2,961
Unrecognized prior service costs	-	503	714	-	178	193
Net amount recognized	<u>\$(4,112)</u>	<u>\$(1,105)</u>	<u>\$301</u>	<u>\$(8,923)</u>	<u>\$(5,313)</u>	<u>\$(4,857)</u>
Amounts recognized in statement of financial position consist of:						
Prepaid benefit cost	\$473	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued plan liability	<u>(4,585)</u>	<u>-</u>	<u>-</u>	<u>(8,923)</u>	<u>(5,313)</u>	<u>(4,857)</u>
Net amount recognized	<u>\$(4,112)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(8,923)</u>	<u>\$(5,313)</u>	<u>\$(4,857)</u>

Do it Best Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007, June 24, 2006, and June 25, 2005

(Amounts in thousands, except share data)

NOTE 4 – EMPLOYEE BENEFIT PLANS (continued)

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

	2007	2006	2005	2007	2006	2005
	Retirement and Pension Plan	Retirement and Pension Plan	Retirement and Pension Plan	Post- retirement Medical Plan	Post- retirement Medical Plan	Post- retirement Medical Plan
Components of net periodic benefit (costs)/income:						
Service cost	\$(3,586)	\$(4,061)	\$(3,247)	\$(262)	\$(216)	\$(171)
Interest cost	(2,852)	(2,569)	(2,397)	(643)	(539)	(557)
Expected return on plan assets	2,999	2,737	2,476	126	104	125
Amortization	(217)	(905)	(393)	(295)	(324)	(258)
Net periodic benefit costs	<u>\$(3,656)</u>	<u>\$(4,798)</u>	<u>\$(3,561)</u>	<u>\$(1,074)</u>	<u>\$(975)</u>	<u>\$(861)</u>

The estimated net loss for the defined benefit plans that will be recognized in net periodic benefit cost over the next fiscal year is \$449.

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

	2007	2007	2006	2006	2005	2005
	Retirement and Pension Plan	Post- retirement Medical Plan	Retirement and Pension Plan	Post- retirement Medical Plan	Retirement and Pension Plan	Post- retirement Medical Plan
Discount rate	6.25%	6.25%	6.25%	6.25%	5.25%	5.25%
Average compensation increase	Variable	N/A	Variable	N/A	Variable	N/A
Current year trend	N/A	10%	N/A	10%	N/A	9%
Ultimate year trend	N/A	5%	N/A	5%	N/A	5%
Year of ultimate trend date	N/A	2013	N/A	2013	N/A	2009

Weighted average assumptions used to determine net periodic pension cost:

	2007	2007	2006	2006	2005	2005
	Retirement and Pension Plan	Post- retirement Medical Plan	Retirement and Pension Plan	Post- retirement Medical Plan	Retirement and Pension Plan	Post- retirement Medical Plan
Discount rate	6.25%	6.25%	5.25%	5.25%	6.25%	6.25%
Average compensation increase	Variable	N/A	Variable	N/A	Variable	N/A
Long-term rate of return on assets	7% to 8%	7.75%	7% to 8%	7.75%	7% to 8%	7.75%
Current year trend	N/A	10%	N/A	9%	N/A	9%
Ultimate year trend	N/A	5%	N/A	5%	N/A	5%
Year of ultimate trend date	N/A	2013	N/A	2009	N/A	2008

Do it Best Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007, June 24, 2006, and June 25, 2005

(Amounts in thousands, except share data)

NOTE 5 – INCOME TAXES

The provision for income taxes at June 30, 2007, June 24, 2006 and June 25, 2005 consisted of the following:

	2007	2006	2005
Current income tax provision	\$655	\$448	\$1,961
Deferred income tax benefit:			
Accrued cooperative advertising	(104)	41	(88)
Allowance for inventory obsolescence	(124)	173	(17)
Deferred compensation	313	204	(273)
Compensated absences	(19)	60	(29)
Retirement plans	(94)	644	236
Post-retirement health care benefits	177	112	(199)
Allowance for doubtful accounts	(159)	(24)	26
Accrued self-insured claims	4	(1,104)	(872)
Other	(11)	80	(110)
Net deferred taxes	(17)	186	(1,326)
Provisions for income taxes	<u>\$638</u>	<u>\$634</u>	<u>\$635</u>

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 30, 2007, components of net deferred income taxes recognized in the consolidated balance sheet included deferred income tax assets of \$10,532 and deferred income tax liabilities of \$1,374. At June 24, 2006, deferred income tax assets totaled \$7,603 and deferred income tax liabilities totaled \$1,235.

The provision for income taxes at June 30, 2007, June 24, 2006 and June 25, 2005 is higher than that which would result from application of the U.S. federal statutory rate due principally to state income taxes and non-deductible expenses for income tax purposes.

Do it Best Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007, June 24, 2006, and June 25, 2005

(Amounts in thousands, except share data)

NOTE 6 – 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 2010. 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 30, 2007 approximate \$310, \$101 and \$46 in 2008, 2009 and 2010, respectively, and \$457 in the aggregate. Rents charged to operations under all operating leases during 2007, 2006 and 2005 were \$43,202, \$42,457 and \$38,657, respectively.

NOTE 7 – CREDIT AGREEMENT

The Company has available an unsecured line of credit with National City Bank of Indiana, N.A. in the amount of \$30,000, with a \$10,000 sub-limit for import letters of credit. This line of credit is reduced in availability to \$15,000 from January 1

to September 30. There were no borrowings against the line of credit at June 30, 2007 or June 24, 2006. Outstanding letters of credit approximated \$5,600 at June 30, 2007.

NOTE 8 – TRANSACTIONS WITH UNCONSOLIDATED EQUITY AFFILIATE

Prior to January 1, 2005, Do it Best was a one-third stakeholder in Alliance International, LLC (“the Alliance”), a hardware and related products purchasing consortium formed by Do it Best and two unrelated parties engaged in the distribution and sale of hardware and related products. However, effective January 1, 2005, one of the members terminated its interest, which made Do it Best a 50% stakeholder in the Alliance through an Affirmation and Continuance Agreement with the other unrelated party. 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 in the expenses of the Alliance proportionate to their benefit received. During 2007, 2006 and 2005, Do it Best was charged \$190, \$190 and \$103, respectively, by the Alliance for administrative costs. Do it Best was paid \$73, \$63 and \$57, respectively, in 2007, 2006 and 2005 for management services rendered to the Alliance.

NOTE 9 – LITIGATION

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 of the Company.