

2008 Financial Report

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We state and attest that:

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

2. We have reviewed the contents of this statement with the Do it Best Corp. board of directors.



Robert N. Taylor
President and CEO



David W. Dietz
Vice President of Finance

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 28, 2008 and June 30, 2007, and the related consolidated statements of income, shareholders’ equity and cash flows for each of the three years in the period ended June 28, 2008. 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 28, 2008 and June 30, 2007, and the results of its operations and its cash flows for each of the three years in the period ended June 28, 2008, 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 Horwath LLP
Fort Wayne, Indiana
September 8, 2008

Consolidated Balance Sheets (Amounts in thousands)

	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 129,533	\$ 172,863
Accounts and notes receivable, less allowance for doubtful accounts of \$939 in 2008 and \$1,047 in 2007	263,467	269,230
Income tax receivable	-	528
Merchandise inventories	219,428	205,290
Prepaid expenses and deferred charges	615	909
Deferred income taxes	3,023	3,250
Total current assets	616,066	652,070
Property and equipment, net	94,153	95,278
Accounts and notes receivable, less current maturities	8,033	7,415
Long-term investments	7,500	-
Deferred income taxes	7,235	5,908
Deposits and deferred charges	1,792	773
Other	658	1,114
Total assets	\$735,437	\$762,558
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 389,563	\$ 416,465
Accrued expenses	40,096	42,759
Total current liabilities	429,659	459,224
Long-term portion of accrued pension	17,587	13,230
Shareholders' equity		
Common stock, voting	3,556	3,569
Common stock, non-voting	465	388
Preference stock	289,070	290,973
Accumulated other comprehensive loss	(4,982)	(4,260)
Retained earnings (accumulated deficit)	82	(566)
Total shareholders' equity	288,191	290,104
Total liabilities and shareholders' equity	\$735,437	\$762,558

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income *(Amounts in thousands)*

	2008	2007	2006
Gross sales	\$2,651,352	\$2,809,374	\$3,054,524
Returns and allowances	104,946	104,151	102,591
Net sales	2,546,406	2,705,223	2,951,933
Cost of sales	2,367,183	2,518,108	2,766,343
Gross profit	179,223	187,115	185,590
Selling, general and administrative expenses	55,356	54,840	52,361
Income before other income, profit sharing and pension costs, shareholders' refund and income taxes	123,867	132,275	133,229
Other income, net	7,707	9,418	5,148
Income before profit sharing and pension costs, shareholders' refund and income taxes	131,574	141,693	138,377
Profit sharing and pension costs	14,483	14,362	15,277
Income before shareholders' refund and income taxes	117,091	127,331	123,100
Shareholders' refund			
Cash	91,911	93,642	84,857
Preference stock	24,094	32,562	37,217
Total shareholders' refund	116,005	126,204	122,074
Income before income taxes	1,086	1,127	1,026
Federal and state income taxes	438	638	634
Net income	\$ 648	\$ 489	\$ 392

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders' Equity (Amounts in thousands)

	2008	2007	2006
Common stock, voting			
Balance, beginning of year	\$ 3,569	\$ 3,636	\$ 3,693
Shares issued	173	157	177
Shares repurchased	(186)	(224)	(234)
Balance, end of year	3,556	3,569	3,636
Common stock, non-voting			
Balance, beginning of year	388	412	368
Shares issued	78	16	47
Shares repurchased	(1)	(40)	(3)
Balance, end of year	465	388	412
Preference stock			
Balance, beginning of year	290,973	281,207	263,970
Shares issued	24,094	32,562	37,217
Shares repurchased	(25,997)	(22,796)	(19,980)
Balance, end of year	289,070	290,973	281,207
Accumulated other comprehensive loss			
Balance, beginning of year	(4,260)	-	-
Adjustment to initially apply SFAS No. 158, net of tax	-	(4,260)	-
Change in defined benefit plans, net of tax	(722)	-	-
Balance, end of year	(4,982)	(4,260)	-
Retained earnings (accumulated deficit)			
Balance, beginning of year	(566)	(1,055)	(1,447)
Net income	648	489	392
Balance, end of year	82	(566)	(1,055)
Total shareholders' equity	\$288,191	\$290,104	\$284,200
Comprehensive loss			
Net income	\$ 648	\$ 489	\$ 392
Change in defined benefit plans, net of tax	(722)	-	-
Total comprehensive income (loss)	\$ (74)	\$ 489	\$ 392

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows *(Amounts in thousands)*

	2008	2007	2006
Cash flows from operating activities			
Net income	\$ 648	\$ 489	\$ 392
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation and amortization	9,086	8,669	7,182
Provision for (benefit from) deferred income taxes	(1,100)	50	232
Shareholder refunds in preference shares	24,094	32,562	37,217
Other	115	30	160
Changes in operating assets and liabilities			
Accounts and notes receivable, net	5,145	52,206	(15,263)
Merchandise inventories	(14,138)	30,729	(42,993)
Prepaid expenses and deferred charges	750	91	(159)
Deposits and deferred charges	(1,019)	385	(609)
Accounts payable	(26,902)	(18,318)	81,521
Accrued federal income taxes	528	646	(2,073)
Accrued expenses	972	(10,852)	1,296
Net cash provided by (used in) operating activities	(1,821)	96,687	66,903
Cash flows from investing activities			
Purchase of long-term investment	(7,500)	-	-
Proceeds from sale of property and equipment	63	-	-
Capital expenditures	(8,139)	(4,972)	(25,764)
Net cash used in investing activities	(15,576)	(4,972)	(25,764)
Cash flows from financing activities			
Issuance of common shares	173	157	177
Purchase of common shares	(186)	(224)	(234)
Issuance of non-voting common shares	78	16	47
Purchase of non-voting common shares	(1)	(40)	(3)
Purchase of preference shares	(25,997)	(22,796)	(19,980)
Net cash used in financing activities	(25,933)	(22,887)	(19,993)
Net increase (decrease) in cash and cash equivalents	(43,330)	68,828	21,146
Cash and cash equivalents, beginning of year	172,863	104,035	82,889
Cash and cash equivalents, end of year	\$129,533	\$172,863	\$104,035

See accompanying notes to the consolidated financial statements.

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., NUPUBCO Holdings, LLC, 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 “2008”, “2007” and “2006” relate to the fiscal years ended June 28, 2008, June 30, 2007 and June 24, 2006.

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. Total cash shareholder refunds to be paid approximated \$91,900 and \$93,600 at June 28, 2008 and June 30, 2007, respectively. These amounts are currently included in accounts payable. The Company also issued preference stock shareholder refunds of approximately \$24,100 and \$32,600 at June 28, 2008 and June 30, 2007, respectively. These amounts are included in equity.

(continued)

(Note 1 continued)

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. 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.

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

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

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 \$6,100 and \$5,700 of recorded trade receivables, past due by 90 days, were accruing interest at June 28, 2008 and June 30, 2007, 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.

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.

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.

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.

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 2008, 2007 and 2006 were \$21,560, \$19,233 and \$18,670, 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:

	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
Total assets	\$759,245	\$3,313	\$762,558
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
Total liabilities and shareholders' equity	\$759,245	\$3,313	\$762,558

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

2

Cash Flows

Supplemental disclosures of cash flow information for the years ended 2008, 2007 and 2006 are as follows:

	2008	2007	2006
Cash paid for income taxes	\$675	\$1,313	\$2,226
Adjustments due to application of SFAS No. 158:			
Accrued pension liability	-	7,573	-
Prepaid pension asset	-	(473)	-
Deferred tax asset	-	(2,840)	-
Accumulated other comprehensive income	-	(4,260)	-

3

Capital Stock Share Data

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

	2008	2007	2006
Common stock, voting \$50 par value, 990,000 shares authorized:			
Shares outstanding, beginning of year	71,380	72,720	73,860
Shares issued	3,460	3,140	3,540
Shares repurchased	(3,720)	(4,480)	(4,680)
Shares outstanding, end of year	71,120	71,380	72,720
Common stock, non-voting \$50 par value, 100,000 shares authorized:			
Shares outstanding, beginning of year	7,750	8,220	7,340
Shares issued	1,560	310	940
Shares repurchased	(20)	(780)	(60)
Shares outstanding, end of year	9,290	7,750	8,220
Preference shares, \$100 par value, 4,000,000 shares authorized:			
Shares outstanding, beginning of year	2,909,725	2,812,062	2,639,692
Shares issued	240,940	325,620	372,170
Shares repurchased	(259,970)	(227,957)	(199,800)
Shares outstanding, end of year	2,890,695	2,909,725	2,812,062

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 \$4,700, \$3,700 and \$4,800 for 2008, 2007 and 2006, respectively. Benefits paid to employees related to this plan approximated \$2,600, \$2,100 and \$3,100 in 2008, 2007 and 2006, respectively. Cost related to the defined contribution profit sharing plan approximated \$9,800, \$10,700 and \$10,500 in 2008, 2007 and 2006, 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 \$3,860 will be contributed to the defined benefit pension plans by the Company during the fiscal year ending June 27, 2009.

Expected benefit payments for the ensuing five years and in the aggregate related to the Plan as of June 28, 2008 approximate \$2,200, \$2,700, \$2,650, \$3,750, \$4,900 in 2009, 2010, 2011, 2012 and 2013, respectively. Expected benefit payments from 2014 to 2018 approximate \$34,400, for an aggregate total of \$50,600.

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 \$1,100, \$1,100 and \$1,000 in 2008, 2007 and 2006, respectively. Participant contributions to the Plan aggregated \$200, \$139 and \$158 in 2008, 2007 and 2006, respectively. Benefits paid to employees related to the Plan aggregated \$650, \$639 and \$643 in 2008, 2007 and 2006, respectively.

Management estimates approximately \$300 will be contributed to the Plan by the Company during the fiscal year ending June 27, 2009.

Expected benefit payments for the ensuing five years and in the aggregate related to the Plan as of June 28, 2008 approximate \$640, \$640, \$700, \$760, \$760 in 2009, 2010, 2011, 2012 and 2013, respectively. Expected benefit payments from 2014 to 2018 approximate \$5,750, for an aggregate total of \$9,250.

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 changed from 25% to 75%, which represents a change in actuarial assumptions.

As of June 28, 2008, the defined benefit pension plans and the postretirement medical plan experienced accumulated benefit obligations of \$42,200 and \$10,869, respectively. At June 30, 2007, the defined benefit pension plans and the postretirement medical plan experienced accumulated benefit obligations of \$39,485 and \$10,915, 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. Plan fiduciaries set investment policies and strategies for the trust. Long-term strategic investment objectives include preserving the funded status of the plan and balancing risk and return. The plan fiduciaries oversee the investment allocation process, which includes selecting investment managers, setting long-term strategic targets and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, and occasionally plan fiduciaries will approve allocations above or below a target range. During 2008, the discount rate percentage changed from 6.25% to 6.75%, which represents a change in actuarial assumptions.

(continued)

(Note 4 continued)

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 28, 2008, and June 30, 2007:

		2008			2007	
	Target Allocation: Retirement and Pension Plan	Retirement and Pension Plan	Postretirement Medical	Retirement and Pension Plan	Postretirement Medical	
Equity securities	65%	65%	48%	67%	65%	
Debt securities	33%	33%	30%	32%	30%	
Other	2%	2%	22%	1%	5%	
Total	100%	100%	100%	100%	100%	

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.

	Retirement and Pension Plan			Postretirement Medical Plan		
	2008	2007	2006	2008	2007	2006
Change in benefit obligation:						
Beginning balance	\$ 50,847	\$ 46,544	\$ 48,300	\$ 10,915	\$ 11,042	\$ 10,600
Service cost	3,626	3,586	4,061	278	262	216
Interest cost	3,013	2,852	2,569	671	643	539
Plan participants' contributions	-	-	-	199	139	158
Actuarial (gain)/loss	(1,892)	(42)	(5,315)	(541)	(532)	172
Benefits paid	(2,628)	(2,093)	(3,071)	(653)	(639)	(643)
Ending balance	\$52,966	\$50,847	\$46,544	\$10,869	\$10,915	\$11,042

Change in plan assets:						
Beginning balance at fair value	\$ 46,735	\$ 38,565	\$ 35,240	\$ 1,992	\$ 1,796	\$ 1,597
Actual return on plan assets	(406)	6,413	3,004	(77)	246	166
Company contributions	3,904	3,850	3,392	598	450	518
Plan participants' contributions	-	-	-	199	139	158
Benefits paid	(2,629)	(2,093)	(3,071)	(653)	(639)	(643)
Other adjustment	(3,779)	-	-	-	-	-
Ending Balance at fair value	\$43,825	\$46,735	\$38,565	\$ 2,059	\$ 1,992	\$ 1,796

Reconciliation of funded status to net amounts recognized:

Funded status-plan assets less than projected						
benefit obligation	\$ (9,141)	\$ (4,112)	\$ (7,979)	\$ (8,810)	\$ (8,923)	\$ (9,246)
Unrecognized transition amount	-	-	-	-	-	864
Unrecognized net loss	-	-	6,371	-	-	2,891
Unrecognized prior service costs	-	-	503	-	-	178
Net amount recognized	\$ (9,141)	\$ (4,112)	\$ (1,105)	\$ (8,810)	\$ (8,923)	\$ (5,313)

Amounts recognized in statement of financial position consist of:

Prepaid benefit cost	\$ -	\$ 473	\$ -	\$ -	\$ -	\$ -
Accrued plan liability	(9,141)	(4,585)	-	(8,810)	(8,923)	(5,313)
Net amount recognized	\$ (9,141)	\$ (4,112)	\$ -	\$ (8,810)	\$ (8,923)	\$ (5,313)

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

	Retirement and Pension Plan			Postretirement Medical Plan		
	2008	2007	2006	2008	2007	2006
Components of net periodic benefit (costs)/income:						
Service cost	\$(3,625)	\$(3,586)	\$(4,061)	\$(278)	\$(262)	\$(216)
Interest cost	(3,013)	(2,852)	(2,569)	(671)	(643)	(539)
Expected return on plan assets	3,634	2,999	2,737	143	126	104
Amortization	(200)	(217)	(905)	(270)	(295)	(324)
Net periodic benefit costs	\$(3,204)	\$(3,656)	\$(4,798)	\$(1,076)	\$(1,074)	\$(975)

The components of other comprehensive income recognized during 2008 are as follows:

	Retirement and Pension Plan	Postretirement Medical Plan
Components of other comprehensive income		
Net transition obligation	\$ -	\$ 606
Net prior cost (credit)	(63)	149
Net loss	2,768	1,642

The amounts in accumulated other comprehensive loss that are expected to be recognized as components of net periodic pension cost during the next fiscal year approximates \$400.

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

	2008 Retirement and Pension Plan	2008 Postretirement Medical	2007 Retirement and Pension Plan	2007 Postretirement Medical	2006 Retirement and Pension Plan	2006 Postretirement Medical
Discount rate	6.75%	6.75%	6.25%	6.25%	6.25%	6.25%
Average compensation increase	Variable	N/A	Variable	N/A	Variable	N/A
Current year trend	N/A	9.29%	N/A	10%	N/A	10%
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	2013

Weighted average assumptions used to determine net periodic pension cost:

	2008 Retirement and Pension Plan	2008 Postretirement Medical	2007 Retirement and Pension Plan	2007 Postretirement Medical	2006 Retirement and Pension Plan	2006 Postretirement Medical
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
Long-term rate of return on assets	8%	7.75%	7% to 8%	7.75%	7% to 8%	7.75%
Current year trend	N/A	9.29%	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

5

Income Taxes

The provision for income taxes at June 28, 2008, June 30, 2007 and June 24, 2006 consisted of the following:

	2008	2007	2006
Current income tax provision	\$1,235	\$ 655	\$ 448
Deferred income tax benefit:			
Accrued cooperative advertising	300	(104)	41
Allowance for inventory obsolescence	(48)	(124)	173
Deferred compensation	(402)	313	204
Compensated absences	(1)	(19)	60
Retirement plans	(333)	(94)	644
Postretirement healthcare benefits	(110)	177	112
Allowance for doubtful accounts	44	(159)	(24)
Accrued self-insured claims	(15)	4	(1,104)
Prepays and other	(232)	(11)	80
Net deferred taxes	(797)	(17)	186
Provisions for income taxes	\$ 438	\$638	\$634

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 28, 2008, components of net deferred income taxes recognized in the consolidated balance sheet included deferred income tax assets of \$11,239 and deferred income tax liabilities of \$981. 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.

The provision for income taxes at June 28, 2008, June 30, 2007 and June 24, 2006 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.

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 2012. 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 28, 2008 approximate \$241, \$165, \$120 and \$80 in 2009, 2010, 2011 and 2012, respectively, and \$606 in the aggregate. Rents charged to operations under all operating leases during 2008, 2007 and 2006 were \$45,423, \$43,202 and \$42,457, respectively.

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. Interest is payable monthly on outstanding balances at either prime rate minus one percent or Libor plus one percent. There were no borrowings against the line of credit at June 28, 2008 or June 30, 2007. Outstanding letters of credit approximated \$5,240 and \$5,600 at June 28, 2008 and June 30, 2007, respectively.

8

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 or cash flows of the Company.

9

Transactions with Unconsolidated Equity Affiliate

Do it Best is a 50 percent 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 in the expenses of the Alliance proportionate to their benefit received. During 2008, 2007 and 2006, Do it Best was charged \$165, \$190 and \$190, respectively, by the Alliance for administrative costs. Do it Best was paid \$77, \$73 and \$63, respectively, in 2008, 2007 and 2006 for management services rendered to the Alliance.

10

Property and Equipment

Property and equipment is summarized by major classification as follows at June 28, 2008 and June 30, 2007:

	2008	2007
Land, buildings and site improvements	\$107,421	\$105,972
Equipment and fixtures	61,691	56,387
	169,112	162,359
Less accumulated depreciation and amortization	74,959	67,081
Property and equipment, net	\$94,153	\$95,278