FORM POS AM

Post-Effective amendments for registration statement

Filing Date: **1996-01-11**
SEC Accession No. 0000892917-96-000012

FILER

UNITED GROCERS INC /OR/

CIK:**225966**| IRS No.: **930301970** | State of Incorp.:**OR** | Fiscal Year End: **0930**
Type: **POS AM** | Act: **33** | File No.: **033-57199** | Film No.: **96502922**
SIC: **5141** Groceries, general line

Mailing Address
P O BOX 22187
6433 SE LAKE ROAD
PORTLAND OR 97222

Business Address
6433 SE LAKE RD
MILWAUKIE OR 97222
5036536330

Registration No. 33-57199

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

POST-EFFECTIVE
AMENDMENT NO. 1
TO
FORM S-2
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

UNITED GROCERS, INC.
(Exact name of registrant as specified in its charter)

Oregon	93-0301970
(State of incorporation)	(I.R.S. Employer Identification No.)

6433 S. E. Lake Road (Milwaukie, Oregon),
Post Office Box 22187, Portland, Oregon 97222
(503) 833-1000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

ALAN C. JONES, President
United Grocers, Inc.
6433 S. E. Lake Road (Milwaukie, Oregon),
Post Office Box 22187, Portland, Oregon 97222
(503) 833-1000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
Miller, Nash, Wiener, Hager & Carlsen
111 S. W. Fifth Avenue
Portland, Oregon 97204-3699
Attention: Erich W. Merrill, Jr.

Approximate date of commencement of proposed sale to the public: From time to time following the effective date of this registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [X]

If the registrant elects to deliver its latest annual report to security holders, or a complete and legible facsimile thereof, pursuant to Item 11(a)(1) of this form, check the following box. [X]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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UNITED GROCERS, INC.

Cross Reference Sheet Between
the Items of Part I of Form S-2 and the Prospectus

10.	Interests of Named Experts and Counsel	*
11.	Information with Respect to the registrant	Prospectus Summary; Introduction; The Company; Incorporation of Certain Documents by Reference
12.	Incorporation of Certain Information by Reference	Incorporation of Certain Documents by Reference
13.	Disclosure of Commission Position on Indemnification for Securities Act Liabilities	*

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* Omitted either because the item is inapplicable or because the answer is in the negative.

UNITED GROCERS, INC.
(Portland, Oregon)

200,495 Shares
Common Stock, $5 Par Value

$35,875,000 Series J 5% Subordinated
Redeemable Capital Investment Notes
Maturing Approximately 10 Years from Date of Issue

Common stock ("Membership Stock") is sold solely to members of United Grocers, Inc. ("United"), at adjusted book value determined for each calendar year as of the end of United's preceding fiscal year. In addition to shares sold to newly admitted members as a prerequisite for membership, Membership Stock may be issued to existing members for cash or in payment of patronage dividends. See "The Company."

Notes are issued in registered form in denominations of $100 or multiples of $100 at 100% of principal amount, with interest payable quarterly. Notes are issued in noncertificated form. Notes are redeemable at United's option during the 7 years prior to maturity at a price equal to principal plus accrued interest. United does not expect any public market for Notes to develop. Although it is not legally obligated to do so, United intends to prepay any Note, at any time, upon request of the holder. See "Introduction."

The board of directors of United has decided to pay interest at the rate of 6.5% per annum during the period December 16, 1995, to March 15, 1996, on all Notes outstanding at any time during that period. On March 16, 1996, the interest rate on all Notes will revert to the stated rate of 5% per annum unless the board of directors takes further action. The decision to pay interest at 6.5% per annum is a voluntary action taken by the board of directors in recognition of prevailing interest rates. There can be no assurance that the interest rate on Notes after March 15, 1996, will exceed 5% per annum. The only right evidenced by the Notes is to receive timely payment of principal and interest at 5% per annum.

Price to   Underwriting   Proceeds

	public	discounts and commissions	to United
Per Share	$62.14	None	$62.14
Per Note	100%	None	100%

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This offering is not underwritten; all sales will be made by United through its regular employees. United reserves the right to withdraw, cancel or modify the offer without notice and to reject orders in whole or in part.

The date of this prospectus is January ___, 1996

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No person is authorized to give any information or to make any representations other than those contained herein, and, if given or made, such information or representations must not be relied upon as having been authorized. Neither the delivery hereof nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of United since the date hereof. This prospectus does not constitute an offer to sell or a solicitation of any such offer in any state to any person to whom it is unlawful to make such an offer in such state.

STATEMENT OF AVAILABLE INFORMATION

United is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with the Securities and Exchange Commission ("Commission"). Such reports and other information can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C., and at the Commission's regional offices at 7 World Trade Center, 13th Floor, New York, New York 10048, and The Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies can be obtained at prescribed rates by writing to the

Securities and Exchange Commission, Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549.

United intends to provide its security holders annual reports containing audited financial statements which have been examined and reported on by independent certified public accountants.

INCORPORATION OF CERTAIN DOCUMENTS
BY REFERENCE

United incorporates herein by reference (i) its annual report on Form 10-K for the fiscal year ended September 29, 1995, and (ii) the material under the captions "1995 MANAGEMENT" and "BOARD OF DIRECTORS" and the information on pages ii and 1 through 18 of the separate financial information and financial statements included with United's annual report to its security holders for the year ended September 29, 1995.

This prospectus is accompanied by a copy of United's 1995 annual report to security holders. United will provide, without charge, to each person to whom a copy of this prospectus is delivered, upon the written or oral request of any such person, a copy of the above mentioned Form 10-K (other than certain exhibits). Requests should be directed to John W. White, Vice President, United Grocers, Inc., Post Office Box 22187, Portland, Oregon 97269-2187, telephone (503) 833-1000.

PROSPECTUS SUMMARY

The following material summarizes certain matters described in the prospectus. It is necessarily incomplete and is qualified in its entirety by reference to the remainder of the prospectus.
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United	
The Company	United Grocers, Inc., 6433 S. E. Lake Road (Milwaukie, Oregon), Post Office Box 22187, Portland, Oregon 97269-2187; telephone (503) 833-1000.
Principal Business	A wholesale grocery distributor which operates as a cooperative. United sells groceries and related products at wholesale to approximately 368 independent retail grocery stores operated by its members in Oregon, western Washington and California.
Use of Proceeds of Offering	Working capital and general corporate purposes.
	See "Introduction--Use of Proceeds" and "The Company."
Membership Stock	
Shares Offered to	Retail grocers who have been accepted as members of United on the basis of 200 shares per retail store. Membership Stock will also be issued to members in payment of patronage dividends and to members who wish to acquire additional shares for cash.
Price	Adjusted book value computed as of the end of each fiscal year (the Friday nearest September 30) to be effective for the following calendar

year ($62.14 per share, or $12,428 for 200 shares, during 1996).

Repurchase	Under its present bylaws United is obligated to repurchase shares held by terminated members at the price at which Membership Stock is then being offered (book value as of the end of the fiscal year preceding the year of termination, adjusted for certain items). A portion of the repurchase price may, under certain circumstances, be paid in installments on such terms as the board of directors determines.
Voting Rights	One vote for each shareholder of record.
Transfer	Membership Stock is not transferable.
Dividends and Federal Tax Consequences	It is United's policy not to declare dividends other than patronage dividends based upon members' purchases. The total amount of patronage dividends (including Membership Stock) is taxable to individual members when distributed.

See "Introduction," "The Company" and "Description of Membership Stock."

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Notes

Notes Offered	Series J Subordinated Redeemable Capital Investment Notes.
Interest	5% per annum, payable quarterly. The board of directors of United has decided to pay interest at the rate of 6.5% per annum during the period December 16, 1995, to March 15, 1996, on all Notes outstanding at any time during that period. On March 16, 1996, the interest rate on all Notes will revert to the stated rate of 5% per annum unless the board of directors takes further action. The decision to pay interest at 6.5% per annum is a voluntary action taken by the board of directors in recognition of prevailing interest rates. There can be no assurance that the interest rate on Notes after March 15, 1996, will exceed 5% per annum. The only right evidenced by the Notes is to receive timely payment of principal and interest at 5% per annum.
Denominations	$100 and multiples thereof.
Price	100% of the principal amount.
Certificates	Notes will be noncertificated. The rights of holders of Notes will be evidenced by the Investment Note Register maintained by United. United will provide holders of Notes with quarterly statements of their Note holdings.
Maturity of Principal	On the interest payment date coinciding with, or next following, the expiration of 10 years from date of issue.
Prepayment	In the event of death of a registered holder or joint registered holder of a Note, United will be legally obligated to prepay the Note upon request of the person entitled to the Note. Although United has no other obligation to prepay Notes, its present intention is to prepay any Note, at any time, upon request of the holder. Although United's present intention is to continue this prepayment policy indefinitely, it

	may discontinue such policy at any time. See "Introduction--Notes Offered." The prepayment price is the principal amount plus accrued interest.
Type	Unsecured, subordinated to Senior Indebtedness. The amount of Senior Indebtedness outstanding as of September 29, 1995, was approximately $117,869,000. There is no limit upon the amount of Senior Indebtedness that United may incur.
Redemption	Redeemable at the option of United during the 7 years prior to maturity at a price equal to principal plus accrued interest.
Transfer	Notes are transferable but no market for Notes exists or is expected to develop.
Indenture Trustee	First Bank National Association.

See "Introduction" and "Description of Notes."

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Selected Financial Data

	Fiscal years ended				
	Sep. 29 1995	Sep. 30 1994	Oct. 1 1993	Oct. 2 1992	Sep. 27 1991
	(Dollars in thousands, except per share amounts)				
Income Statement(1):					
Net sales and operations	$1,018,248	$954,220	$876,985	$896,587	$882,878
Income before members' patronage dividends, income taxes, and accounting change	10,503	11,294	11,291	13,314	13,126
Patronage dividends	8,350	8,730	9,000	10,211	10,427
Net income(2)(3)	1,379	1,563	1,714	2,723	1,712
Balance Sheet:					
Working capital(4)(8)	52,510	45,258	41,819	53,326	61,032
Total assets(7)	322,456	306,836	285,342	261,289	249,205
Liabilities					
Current	159,937	147,443	136,809	113,759	112,256
Long-term	115,624	114,669	105,539	104,645	98,685
Members' equity(8)	42,357	40,425	39,112	39,141	36,431
Adjusted book value per share(5)	62.14	59.50	57.00	53.94	48.99
Ratio of adjusted income to fixed charges(1)(6)	1.58	1.79	1.85	1.97	2.07

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(1) In fiscal 1993, United changed its method of accounting for inventories to the first-in, first-out method. Amounts for prior periods have been restated to reflect the change. See Note 4 to the consolidated financial statements appearing in the accompanying annual report to shareholders ("Consolidated Financial Statements").

(2) Earnings per share are not shown because earnings are distributed only in the form of patronage dividends; under United's policy no earnings are available for the purpose of paying dividends on the Membership Stock.

(3) In fiscal 1992, United changed its method of accounting for income taxes, resulting in a one-time increase in net income of $526,314.

(4) In fiscal 1992, United changed its method of accounting for investments, resulting in an increase in current assets at October 2, 1992, of $26,684,291 and a corresponding decrease in non-current assets. Amounts for prior periods have been restated to reflect the change.

(5) Adjusted book value per share, which is the offering price per share, is computed by subtracting from total members' equity at fiscal year end, stock to be issued from patronage and paid-in capital on such stock, unrealized gain on investments, and undistributed equity from investments accounted for on the equity method and dividing the resulting amount by shares outstanding at fiscal year end.

(6) Adjusted income used to compute the ratio of adjusted income to fixed charges represents net income to which has been added income taxes, patronage dividends and fixed charges, less capitalized interest. Fixed charges consist of interest on all indebtedness and that portion of rentals considered to be the interest factor.

(7) In fiscal 1994, United changed its method of accounting for reinsurance. Amounts for fiscal 1993 have been restated to reflect the change. See Note 11 to the Consolidated Financial Statements.

(8) In fiscal 1995, United changed its method of accounting for investments to comply with SFAS No. 115. This change is not applied retroactively to prior years financial statements. See Note 2 to the Consolidated Financial Statements.

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For additional information, reference is made to the Consolidated Financial Statements and other information incorporated herein by reference as described under "Incorporation of Certain Documents by Reference."

INTRODUCTION

General. United is offering to sell 200,495 shares of its Membership Stock and $35,875,000 in principal amount of Notes. All sales will be made by United through its regular employees, who will not receive any additional remuneration in connection with the sales. No sales will be made through brokers and there are no underwriters. Membership Stock is not transferable and there is, therefore, no public market for it. United does not expect that any public market for Notes will develop. United anticipates that the securities offered hereby will not all be sold in the immediate future and that the offerings will, therefore, be made on a continuous basis over a period of time. There is no assurance that any portion of the offerings will be sold.

Use of Proceeds. United expects to use the proceeds from the sale of the securities offered hereby for working capital and general corporate purposes. To the extent that proceeds are insufficient to meet United's requirements for working capital at any particular time, United intends to rely upon increased borrowing from banks. Although United has not in the past experienced any substantial difficulty in obtaining bank financing, there can be no assurance that United will be able to obtain additional bank financing or that it will be able to obtain such financing at interest rates which it considers reasonable.

Membership Stock Offered. Membership Stock is sold only upon approval by United's board of directors to retail grocers who have applied for and been accepted for membership in United. Retail grocers accepted for membership will thereby gain the right to purchase groceries and related products from United on a cooperative basis. See "The Company." Membership Stock is sold in units of 200 shares for each retail store accepted for membership. Shares will be sold from time to time as United's board of directors admits additional members and as existing members are accepted for membership with respect to additional stores. Membership Stock will also be issued to existing members in partial payment of patronage dividends (see "The Company") and to members who wish to purchase additional shares for cash.

Membership Stock is offered at its adjusted book value, as determined by United's annual audited balance sheet as of the end of each fiscal year, effective the following January 1. Adjusted book value per share is computed by subtracting from total members' equity at fiscal year end, stock to be issued from patronage and paid-in capital on such stock and undistributed equity from investments accounted for on the equity method, net of the tax effect, and dividing the resulting amount by shares outstanding at fiscal year end. At September 29, 1995, the only adjustment for investments accounted for on the equity method was United's investment in Western Family Holding Company. The adjusted book value at September 29, 1995, was $62.14 per share. Thus, the offering price for 200 shares during calendar year 1996 is $12,428.

From time to time, United sells Membership Stock to new members on an installment basis. If the board of directors determines that an applicant's financial standing merits such treatment, Membership Stock may be issued upon receipt of a cash down payment plus a promissory note or other undertaking to pay the balance of the purchase price. The amount of the down payment, interest rate and other terms of installment sales may vary depending on the applicant's financial standing.

United's bylaws provide that, upon termination of membership, Membership Stock will be repurchased by United at the price at which Membership Stock is then being offered (adjusted book value). United's board of directors may elect to pay the repurchase price in installments upon such terms as the board of directors determines with respect to any shares held over and above the number of shares a member was initially required to purchase upon acceptance to membership. For additional information, see "Description of Membership Stock." Although United has no other obligation to repurchase Membership Stock, the board of directors has indicated that it will consider requests for repurchase of Membership Stock from members which are corporations upon a bona fide transfer of ownership of the corporate member.

It is United's policy not to declare dividends other than patronage dividends based on a member's purchases from United. The total amount of patronage dividends (including Membership Stock) is taxable to individual members when distributed. See "The Company."

United's bylaws provide that the number of shares of Membership Stock which a member is required to purchase shall be established by the board of directors. The board of directors has decided that, at present, members must purchase a unit of 200 shares for each retail store for which they are admitted as members. This number is subject to change from time to time. There will not be any refund on or redemption of any shares already purchased as a result of any decrease in the number of shares required for new stores. Existing members will not be required to purchase additional shares as a result of any future increase in the number of shares required per store.

United's bylaws and articles of incorporation also provide that each holder of record of Membership Stock is entitled to one vote regardless of the number of shares owned. Thus, a newly admitted member purchasing 200 shares of Membership Stock will have the same voting rights as an existing member directly holding a greater or lesser number of shares. Certain members control family corporations or other separate entities that own shares. Those members may control more than one vote because each controlled entity is a separate holder of record. See "Description of Membership Stock."

Under United's present policies, members acquiring additional Membership Stock may have (i) the possibility, under certain circumstances, of receiving a greater portion of future patronage dividends in cash (see "The Company--Deposit") and (ii) the possibility of realizing gain in the event of future appreciation in the book value of Membership Stock (see "Description of Membership Stock"). Members considering acquiring additional shares of Membership Stock should be aware that there can be no assurance that United's future operations will result in the payment of patronage dividends or in any appreciation in book value. In the event of losses in future years, the book value of Membership Stock could decline. Also, as described more fully under "The Company" and "Description of Membership Stock," the proportion of patronage dividends to be paid in cash and the method of payment for repurchased shares of Membership Stock are all subject to the discretion of United's board of directors, and the right to repurchase at book value upon termination of membership is subject to change by a vote of United's members. Acquisition of additional shares of Membership Stock will not give a member any additional voting rights.

Any increase in the total number of shares outstanding will, of course, proportionately reduce the effect of future changes in total members' equity upon book value per share. In other words, future increases or decreases in members' equity resulting from earnings or losses will have a lesser effect per share if the total number of shares outstanding is increased.

Notes Offered. United is offering Notes only in fully registered form without coupons in denominations of $100 or multiples of $100 at 100% of principal amount. Notes bear interest at 5% per annum, payable quarterly, and mature on the interest payment date coinciding with, or next following, the expiration of 10 years from the date of issue. The board of directors of United has decided to pay interest at the rate of 6.5% per annum during the period December 16, 1995, to March 15, 1996, on all Notes outstanding at any time during that period. On March 16, 1996, the interest rate on all Notes will revert to the stated rate of 5% per annum unless the board of directors takes further action. The decision to pay interest at 6.5% per annum is a voluntary action taken by the board of directors in recognition of prevailing interest rates. The board expects to review the interest rate paid on Notes from time to time in light of prevailing interest rates and other factors. There can be no assurance that the interest rate on Notes after March 15, 1996, will exceed 5% per annum. The only right evidenced by the Notes offered hereby is to receive timely payment of principal and interest at 5% per annum.

Notes are issued as noncertificated Notes. The rights of Note holders are evidenced by the Investment Note Register. Note holders are therefore dependent on the Investment Note Registrar to maintain accurate records regarding their Note holdings. United presently serves as Investment Note Registrar. Because there is no certificate, Notes may not be readily saleable. However, no market for Notes exists or is expected to develop.

Notes are unsecured and are subordinated in right of payment to

Senior Indebtedness (as defined, see "Description of Notes--Subordination") in the event of any liquidation or dissolution. The amount of Senior Indebtedness at September 29, 1995, was approximately $117,869,000 (consisting of approximately $61,780,000 in unsubordinated long-term debt and approximately $56,089,000 in current liabilities). Notes may be redeemed at United's option during the 7 years prior to maturity at a redemption price equal to their principal amount plus accrued interest. For additional information, see "Description of Notes."

Upon the death of a registered holder or joint registered holder, United will be legally obligated to prepay the Note upon request of the person entitled to the Note. United may require evidence of death before making prepayment. Although United has no other legal obligation to prepay Notes, its present intention is to prepay any Note, at any time, upon request of the holder. The prepayment price upon death or under United's prepayment policy is the principal amount of the Note plus accrued interest.

United's prepayment policy may provide holders of Notes with liquidity which they might not otherwise have. Although United's present intention is to continue its prepayment policy indefinitely, it may discontinue such policy at any time. In the event that United discontinues its prepayment policy, holders of Notes might, because of the absence of an established market, be unable to sell their Notes prior to maturity or might be unable to sell the Notes other than at a price below their principal amount.

It is anticipated that most sales of Notes will be made to members of United, friends and relatives of members, key employees and other persons with existing relationships with United. United allows members to purchase Notes on a regular basis by adding the purchase price to any such member's weekly invoice for grocery purchases.

THE COMPANY

General. United, a wholesale grocery distributor, is an Oregon business corporation organized in 1915 which operates and is taxed as a cooperative.

It supplies groceries and related products to independent retail grocers located in Oregon, western Washington and northern California. United's goal is both to supply grocery products to retailers at prices which enable them to compete effectively in the retail market and to furnish them other services, such as marketing assistance, engineering, accounting, financing, and insurance, which are important to the successful operation of a retail grocery business.

United also sells groceries and related products at wholesale through 35 cash-and-carry depots, principally to nonmember grocers, restaurants, and institutional buyers.

United's board of directors consists of nine members serving staggered three-year terms, and they may not be elected to consecutive terms. Directors, all grocers, must either be proprietors or partners owning a membership in United or the holder of a substantial interest in a corporation owning a membership in United. United's directors are Dennis Blasingame, Craig Danielson, James C. Vickers, David Neal, Peter J. O'Neal, Raymond L. Nidiffer, Deano Ryan, Gordon Smith, and Dick Leonard.

The management of the corporation is under the direction of a President and Chief Executive Officer who is employed and guided by the board of directors.

Additional information is set forth in the documents incorporated herein by reference.

Membership. United has approximately 253 members operating a total of approximately 368 retail grocery stores. All applicants for membership, who must be retail grocers, are subject to approval by United's board of directors on the basis of financial responsibility and operational ability. On approval, applicants are required to purchase shares of United's Membership Stock.

Upon termination of membership, a member's shares of Membership Stock are redeemed. Sales and redemptions of Membership Stock are made at adjusted book value. Adjusted book value for this purpose is determined according to United's most recent annual audited balance sheet, adjusted for certain items, effective for the following calendar year. See "Description of Membership Stock."

United's board of directors may elect to pay the repurchase price in installments with respect to any shares held over and above the number of shares a member was initially required to purchase upon acceptance to membership. See "Description of Membership Stock."

The following table shows the adjusted book value per share of Membership Stock for the past five years:
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	Fiscal years ended				
<S>	<C> Sep. 29 1995	<C> Sep. 30 1994	<C> Oct. 1 1993	<C> Oct. 2 1992	<C> Sep. 27 1991
Adjusted book value per share	$62.14	$59.50	$57.00	$53.94	$48.99

</TABLE>

The issuance of the additional shares offered hereby may result in substantial dilution of the rate of increase or decrease in adjusted book value per share. See "Introduction."

Cost Savings. By pooling the buying power of its members, United is able to purchase goods in large quantities at prices lower than the prices generally available to independent retail grocers. The savings from the bulk purchases are passed along to members in the form of rebates, allowances and patronage dividends.

Sales to members are invoiced to their accounts at prices contained in United's order guide. While the complex pricing systems used in the wholesale grocery industry make item-by-item price comparisons impracticable, United believes that its pricing structure, including the various cost savings available to members, compares favorably on an overall basis with the pricing structures of its competitors. A cost equalization program results in the addition or subtraction of a percentage of the member's weekly invoice cost based on the member's average weekly purchases for the preceding four weeks, excluding drop shipment purchases. The cost equalization percentages are designed to reflect the economies of scale realized by United in servicing larger accounts.

Rebates and allowances are paid to members periodically based upon their purchases of particular items or their promotional and advertising performance. Generally, such rebates and allowances stem from United's margins and the merchandising or promotional programs of United's suppliers. The amount of rebates and allowances paid to members with respect to particular items may vary from the amount realized by United from its suppliers.

United also pays its members annual patronage dividends based on the overage, or excess of revenues over expenses, on sales to members for the year. Each year United's board of directors determines the portion of the overage which is to be distributed as patronage dividends. For fiscal year 1995, the board decided to distribute 97% of the overage that was available for distribution. Decisions concerning the portion of overage to be retained are based upon various factors, including United's future capital needs and the amount of earnings available from operations not qualifying for distribution as patronage dividends. The patronage dividends are allocated among the members in proportion to the contribution to United's gross profit (before rebates and allowances) attributable to their purchases from United. The patronage dividends are paid partly in cash and partly in Membership Stock. See "Deposit."

As a result of cost equalization, rebates, allowances and patronage dividends, the total cost savings each member realizes will vary depending on the member's volume of purchases and merchandising of particular products.

Patronage Dividends and Tax Matters. The following discussion summarizes the operation of certain aspects of the federal income tax treatment of cooperatives. The tax treatment of cooperatives is subject to change from time to time as the Internal Revenue Code of 1986, as amended ("Code"), is amended and as new regulations and interpretations are periodically adopted.

United operates and is taxed as a cooperative. Accordingly, patronage dividends are not included in United's taxable income but are instead taxed to the individual members receiving the patronage dividends.

The Code requires that not less than 20% of each member's patronage dividend be paid in cash. It is United's policy to at least meet that minimum requirement and to pay the balance of patronage dividends in Membership Stock. See "Deposit" for information regarding the method used by United to determine the patronage dividends to be paid in cash in excess of the Code's minimum requirement.

Members are required to agree to abide by all United's bylaw provisions, including those applicable to federal income taxation of patronage dividends. Accordingly, members must report as taxable income the total amount of patronage dividends, including the adjusted book value of Membership Stock, in the year such patronage dividends are received, and such amounts are not taxable to United.

United is taxed on income which does not qualify for distribution as patronage dividends and on the portion of overage which is not distributed to members. United's subsidiaries generally retain all profits (or losses) from their operations and are subject to all applicable income taxes.

Deposit. Members are encouraged to accumulate holdings of Membership Stock. Such holdings are referred to in the cooperative grocery trade as "Deposits," although the Membership Stock is not physically deposited with United. The amount of a member's Deposit is defined to be the adjusted book value of his or her Membership Stock. The Deposit does not include notes representing United's obligation to pay the deferred balance of the price of

Membership Stock repurchased from members or Capital Investment Notes. The Deposit is used to:

a. Provide a guarantee fund for the member's purchases on open account.

b. Ensure the funding of United's operations.

c. Serve as a basis for calculating cash patronage dividends. The method of calculation is intended to encourage members to maintain Deposits of at least one and one half times their average weekly purchases ("AWP") from United. AWP is the average of a member's weekly purchases of all items from United during the fiscal year for which patronage dividends are being calculated.

In recent years, the noncash portion of patronage dividends has been paid in Membership Stock, and it is anticipated that future payments will also be made in Membership Stock. The board's present policy is to pay patronage dividends as follows:

1. If the Deposit is less than one and one half times AWP, the member's patronage dividend is paid 20% in cash and 80% in Membership Stock.

2. If the Deposit equals or exceeds one and one half times AWP but is less than 4,000 shares, the member's patronage dividend is paid 80% in cash and 20% in Membership Stock.

3. If the Deposit equals or exceeds one and one half times AWP and is at least 4,000 shares, the member's patronage dividend is paid 100% in cash.

4. In the case of multiple store operations, Deposit and AWP requirements are applied on a per store basis.

5. If a member' Deposit exceeds 4,000 shares of Membership Stock per store, excess shares may be submitted for redemption over a five-year period. Twenty percent of the shares submitted for each store will be redeemed each year at the current share price for that year.

The board's Deposit policy is subject to change from time to time. Although the board expects to retain the general principle of paying increasing portions of patronage dividends in cash as a member's Deposit increases, the board may, in the future, decide to consider additional factors in the payment of patronage dividends. Therefore, there can be no assurance that the purchase of Membership Stock by a member will result in the member's receiving any particular portion of future patronage dividends in cash.

DESCRIPTION OF MEMBERSHIP STOCK

United's authorized Membership Stock consists of 10,000,000 shares of Membership Stock, $5 par value. Membership Stock is sold only to members of United. All members must be actively engaged in the retail grocery business and must be approved by the board of directors, primarily on grounds of financial responsibility and operational ability, before being admitted to membership.

Each member must purchase the number of shares of Membership Stock as determined by the board of directors for each retail store the member operates. Each shareholder of record is entitled to one vote, regardless of the number of shares owned. Certain members control family corporations or other separate entities that own shares. Those members may control more than one vote because each controlled entity is a separate holder of record. Voting for directors is noncumulative.

Membership Stock is not transferable and is not negotiable. Under United's bylaws all shares are sold at adjusted book value and, upon a member's death, retirement, voluntary withdrawal, expulsion or cessation of purchases from United, will be repurchased by United at adjusted book value as determined by United's annual audited balance sheet as of the end of each fiscal year, effective the following January 1. Adjusted book value per share is computed by subtracting from total members' equity, stock to be issued from patronage and paid-in capital on such stock and undistributed equity from investments accounted for on the equity method, net of the tax effect, and dividing the resulting amount by shares outstanding at fiscal year end (as restated for any stock splits, stock dividends or similar changes). United's bylaws provide that the repurchase price for any shares over and above the number of shares the member was required to purchase as a condition of membership for a retail store or stores may, in the discretion of United's board of directors, be paid in 20 quarterly installments with interest at the same rate being paid from time to time (presently 6.5%) on United's Capital Investment Notes then being offered or in such other manner as the board of directors may from time to time determine.

United's board has adopted a policy, subject to change without notice, requiring United to repurchase on request the number of shares a member owns in excess of 4,000. The excess shares are repurchased over a five-year period at the current adjusted book value each year, payable in cash.

United's obligation to repurchase the shares of members is subject to the general limitations imposed by the Oregon Business Corporation Act that United may not purchase shares if, after giving the purchase effect, United would not be able to pay its debts as they become due in the usual course of business or United's total assets would be less than its total liabilities.

A member is subject to expulsion by the board of directors for the following reasons: (l) disclosure to nonmembers of confidential information relating to United's business, (2) abuse of office by officers, (3) purchase of goods for the benefit of a nonmember, (4) commission of a felony, (5) violation of the corporation's bylaws, or (6) action to the detriment of the corporation. Since 1954, no members have been expelled. Patronage dividends for the fiscal year in which a membership is terminated are paid in cash following the end of the fiscal year, based on the member's purchases from United during the fiscal year. All bylaw provisions, including those relating to the repurchase of Membership Stock at adjusted book value, are subject to amendment by a vote of a two-thirds majority of the quorum of shares voting on such amendment.

Shares of Membership Stock are issued from time to time upon payment of less than the full purchase price. Upon payment of the full purchase price, shares of Membership Stock are fully paid and nonassessable. A member's interest in the adjusted book value of shares of Membership Stock, is, however, subject to being set off against any debts of the member to United or its subsidiaries.

The shares of Membership Stock are entitled to share pro rata in any liquidating distributions and dividends other than patronage dividends. It is not the policy of the board of directors to declare any dividends other than patronage dividends. In the event of any liquidation of United, the rights of holders of Membership Stock with respect to any liquidating distributions and the rights of former holders of Membership Stock with respect to any deferred payments due them would be subordinated to all other claims against United's assets.

Shares of Membership Stock are not subject to any sinking fund provisions and have no conversion rights.

DESCRIPTION OF NOTES

The Notes offered hereby are issued as the ninth series of Capital Investment Notes under an indenture dated as of February 1, 1978, between United and United States National Bank of Oregon, as trustee ("U. S. Bank"), as supplemented by supplemental indentures dated as of August 15, 1979, November 11, 1981, December 15, 1984, December 15, 1986, January 27, 1989, January 22, 1991, July 6, 1992, and January 9, 1995 (which indenture, as so supplemented, is herein referred to as the "Indenture"). First Bank National Association ("Trustee") has assumed U. S. Bank's rights and obligations as trustee under the Indenture. A copy of the Indenture is on file with the Securities and Exchange Commission as an exhibit to the registration statement of which this prospectus forms a part. The following description summarizes certain provisions of the Indenture and is subject to the detailed provisions of the Indenture, to which reference is hereby made for a complete statement of such provisions. Whenever particular Sections or terms defined in the Indenture are referred to herein, such Sections or definitions are incorporated by reference. References in parentheses are to Sections of the indenture dated as of February 1, 1978, except that references marked with an asterisk (*) are to Sections of the supplemental indenture dated as of January 9, 1995. See "Additional Information."

General. Notes bear interest from the date of issue at the stated annual rate indicated on the cover page of this prospectus. United may, under the Indenture, issue Notes at other interest rates, but no change in interest rates may affect the stated interest rate on Notes then outstanding. Interest is paid on the 15th day of March, June, September, and December for the quarters ending on those dates to the persons in whose names the Notes are registered as of the last business day of the calendar month preceding the payment date. (Secs. 3.06 and 4.02*)

Notes mature on the interest payment date which is on, or next following, the date ten years from the date of issue, are unsecured obligations of United and are limited to $50,000,000 aggregate principal amount, $38,875,000 of which is being offered pursuant to this prospectus. Notes are issuable only in registered form, without coupons, in denominations of $100 or any multiple of $100 approved by United. Notes are issued as noncertificated Notes. (Secs. 1.15, 3.02, 2.01*, 4.01* and 4.02*)

Principal and interest on all Notes are payable at the principal office of United in Clackamas County, Oregon, provided that, at the option of United, interest and principal payments on Notes may be made by check mailed to the address of the registered holders of the Notes. United intends to pay interest and principal by check. (Secs. 3.01, 7.02 and 3.03*) United will exchange Notes for other Notes of the same series and of a like principal amount and having the same terms and conditions upon written request of the holder. No service charge will be made to the holder for any exchange or transfer, except for any tax or governmental charge incidental thereto. (Secs. 3.04 and 3.04*) United is required to mail quarterly statements of Note holdings to holders of Notes. (Sec. 4.03*)

United may from time to time without the consent of any holder of an outstanding Note issue under the Indenture, by means of an indenture supplemental thereto, additional Capital Investment Notes having different terms and of a series other than the Notes. The amount of additional Capital Investment Notes or other debt which may be issued by United is not limited by the Indenture. (Sec. 4.01)

The Indenture does not contain any covenant or provision that protects the holders of Notes against a reduction in the value of the Notes resulting from a highly leveraged transaction, whether or not such transaction involves a change in control of United. Similarly, no holder of Senior Indebtedness of United at September 29, 1995, is protected against a reduction in the value of Senior Indebtedness held by such holder resulting from a highly leveraged transaction, except that certain agreements relating to Senior Indebtedness require that United maintain specified financial ratios.

Prepayment. Although United is not obligated to prepay Notes except in the event of the death of a registered holder, United's present intention is to prepay the principal amount of any Note, together with accrued interest to the date of payment, at any time upon the request of the holder.

In the event of the death of a registered holder or joint registered holder of a Note, United is obligated, at the option of the person legally entitled to become the holder of the Note, to prepay the principal amount of the Note, together with accrued interest to the date of payment. Any request for prepayment must be made to United in writing. United may, as a condition precedent to the prepayment, require the submission of evidence satisfactory to United of the death of the registered holder or joint registered holder and such additional documents or other material as it may consider necessary to establish the person entitled to become the holder of the Note or such other facts as it considers relevant to the fulfillment of its prepayment obligation. (Sec. 5.01*)

Redemption. The Notes may be redeemed at the election of United during the seven years prior to maturity at their principal amount, plus accrued interest, upon not less than 30 days' notice by mail to the registered holder. United, in its sole discretion, may designate for redemption Notes maturing on specified dates or bearing specified interest rates. If less than all the Notes with a specified maturity date or interest rate are to be redeemed, the Trustee shall select the particular Notes to be redeemed in whole or in part. (Secs. 5.02* and 5.03*) No interest on Notes selected for redemption will accrue after the date fixed for redemption. (Sec. 5.04*)

Subordination. Payment of the principal of, and interest on, the Notes is subordinated in the manner and to the extent set forth in the Indenture in right of payment to the prior payment in full of all Senior Indebtedness. (Sec. 6.01*) Senior Indebtedness is defined as indebtedness of United, whether outstanding on the date of the Indenture or thereafter incurred, (a) for money borrowed by United (other than indebtedness evidenced by Capital Investment Notes and Registered Redeemable Building Notes); (b) for money borrowed by others and guaranteed by United; (c) constituting purchase money indebtedness incurred for the purchase of tangible property and for the payment of which United is directly or contingently liable; (d) arising under any document creating an absolute or contingent obligation of United to purchase promissory notes and related documents from third parties; or (e) for fees, expenses, and other obligations of United due in connection with indebtedness of United that constitutes Senior Indebtedness, unless by the terms of the instrument creating or evidencing the indebtedness it is provided that such indebtedness is not superior in right of payment to the Notes. (Secs. 1.01* and 6.01*) The Indenture does not limit the amount of Senior Indebtedness which United may incur.

The Indenture provides that, in the event of and during the continuation of any default on any Senior Indebtedness, no payment may be made on the Notes or for the redemption or purchase of Notes. (Sec. 6.03*) Upon any distribution of assets of United, upon any liquidation, dissolution, winding up or reorganization of United, whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors, or other proceeding, all principal of (and premium, if any) and interest on all Senior Indebtedness must be paid in full before the holders of the Notes are entitled to receive or retain any payment. Subject to the payment in full of all Senior Indebtedness, the holders of the Notes are subrogated to the rights of the holders of the Senior Indebtedness to receive distributions of assets of United applicable to Senior Indebtedness until the Notes are paid in full. (Sec. 6.02*) By reason of such subordination, in the event of insolvency, creditors of United who are holders of Senior Indebtedness may recover more, ratably, than the holders of the Notes, and creditors of United who are not holders of Senior Indebtedness or of the Notes may recover less, ratably, than the holders of Senior Indebtedness, and may recover more, ratably, than the holders of the Notes.

Modification of Indenture. Modifications and amendments of the Indenture may be made by United and the Trustee with the consent of the holders of 66 2/3% in principal amount of the Capital Investment Notes of all series then outstanding, provided that no such modification or amendment may, without the consent of the holder of each Note affected thereby, (a) change the maturity date of the principal or the interest payment dates; (b) reduce the principal amount of or the interest on any Note; (c) change the currency of payment; (d) impair the right to institute suit for the enforcement of any such payment on or after the maturity date or the Redemption Date, as the case may be; or (e) reduce the above-stated percentage of holders of Capital Investment Notes necessary to modify or amend the Indenture. (Sec. 13.02)

Events of Default; Notice and Waiver. The following constitute Events of Default: (a) default in the payment of any interest continued for 30 days; (b) default in the payment of the principal of (or premium, if any, on) any Capital Investment Note at its maturity; (c) default in the performance of any other covenant or warranty of United, continued for 60 days after written notice as provided in the Indenture; (d) acceleration of any Senior Indebtedness of United as a result of a default with respect thereto if such acceleration is not rescinded within 30 days after written notice as provided in the Indenture; and (e) certain events in bankruptcy, insolvency or reorganization. (Sec. 9.01) If an Event of Default shall happen and be continuing, the Trustee or the holders of not less than 25% in principal amount of outstanding Capital Investment Notes may declare the principal of all the Capital Investment Notes to be due and payable immediately. (Sec. 9.02)

The Indenture provides that the Trustee will, within 90 days after the occurrence of a default, give to the holders of Capital Investment Notes notice of such default known to it, unless such default shall have been cured or waived; but, except in the case of a default in the payment of the principal of (or premium, if any) or interest on any of the Capital Investment Notes, the Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of such holders. (Sec. 9.14)

The holders of a majority in principal amount of the outstanding Capital Investment Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that such direction shall not be in conflict with any rule of law or the Indenture. (Sec. 9.12) Before proceeding to exercise any right or power under the Indenture at the direction of such holders, the Trustee is entitled to receive from such holders reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with any such direction. (Sec. 10.02)

The holders of not less than a majority in principal amount of the outstanding Capital Investment Notes may, on behalf of the holders of all the Capital Investment Notes, waive any past default except (a) a default in the payment of principal of (or premium, if any) or interest on any Capital Investment Note, and (b) a default in respect of a covenant or provision of the Indenture which cannot be amended without the consent of the holder of each Capital Investment Note affected. (Sec. 9.13)

United is required to furnish to the Trustee annually a statement as to the fulfillment by United of all its obligations under the Indenture. (Sec. 7.06)

Other. The Notes have no sinking fund provisions. The Indenture contains no restrictions on the dividends that may be paid by United and imposes no obligations with respect to the maintenance of reserves, levels of net worth, liabilities, working capital or the like.

Regarding the Trustee. United has no agreements or business relationships with the Trustee other than those contained in or contemplated by the Indenture. The Trustee is required to furnish annual reports to holders of Notes as to certain matters relating to the Notes, the Trustee's performance and the Trustee's eligibility to act as Trustee. (Sec. 8.03)

LEGAL MATTERS

The validity of the Membership Stock and Notes offered hereby have been passed upon for United by Miller, Nash, Wiener, Hager & Carlsen, Portland, Oregon, who have acted as special counsel to United in connection with this offer.

EXPERTS

The consolidated financial statements of United incorporated in this prospectus by reference have been audited by DeLap, White & Raisch, independent certified public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in auditing and accounting in giving said report.

ADDITIONAL INFORMATION

This prospectus omits certain information contained in a registration statement filed by United with the Securities and Exchange Commission. For further information, reference is made to the registration statement, including the financial schedules and exhibits filed as a part thereof. See "Statement of Available Information."

PART II

Information Not Required in Prospectus

Item 16. Exhibits.

The exhibits are listed in the accompanying index to exhibits.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-2 and has duly caused this amendment to this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Milwaukie, State of Oregon, on January 10, 1996.

UNITED GROCERS, INC.
(Registrant)

By: /s/ JOHN W. WHITE
John W. White, Vice President

Pursuant to the requirements of the Securities Act of 1933, this amendment to this registration statement has been signed by the following persons in the capacities indicated on January 10, 1996.

<TABLE>
<CAPTION>

Name	Title
<S>	<C>
Principal executive officer	
* ALAN C. JONES Alan C. Jones	President Secretary and Treasurer
Principal financial officer and principal accounting officer	
/s/ JOHN W. WHITE John W. White	Vice President and Chief Financial Officer
A majority of the Board of Directors	
* DENNIS BLASINGAME Dennis Blasingame	Director
* CRAIG DANIELSON Craig Danielson	Director
* JAMES C. VICKERS James C. Vickers	Director
* DAVID NEAL David Neal	Director
* PETER J. O'NEAL Peter J. O'Neal	Director
* RAYMOND L. NIDIFFER Raymond L. Nidiffer	Director
* DEANO RYAN Deano Ryan	Director
* GORDON SMITH	Director

Gordon Smith

* DICK LEONARD — Director
Dick Leonard

* By /s/ JOHN W. WHITE
John W. White
Attorney-in-fact

EXHIBIT INDEX

4.A	Form of certificate representing shares of the registrant's common stock, $5 par value (incorporated by reference to Exhibit 4-A to the registrant's registration statement on Form S-2, No. 33-26631).
4.B	Copy of indenture dated as of February 1, 1978, between the registrant and United States National Bank of Oregon, as trustee, relating to the registrant's Capital Investment Notes (incorporated by reference to Exhibit 4-I to the registrant's registration statement on Form S-1, No. 2-60488).
4.C	Copy of supplemental indenture dated as of January 9, 1995, between the registrant and First Bank National Association, as trustee, relating to the registrant's Series J 5% Subordinated Redeemable Capital Investment Notes (incorporated by reference to Exhibit 4-C to the registrant's registration statement on Form S-2, No. 33-57199).
4.D	Copy of the registrant's restated articles of incorporation, as amended (incorporated by reference to Exhibit 4-E to the registrant's registration statement on Form S-2, No. 33-26631).
4.E	Copy of the registrant's bylaws, as amended (incorporated by reference to Exhibit 4-F to the registrant's registration statement on Form S-2, No. 33-26631).
5.	Opinion of Miller, Nash, Wiener, Hager & Carlsen.*
10.A1	Copy of United Grocers, Inc. pension plan and trust agreement dated as of October 1, 1985 (incorporated by reference to Exhibit 10-A to the registrant's registration statement on Form S-2, No. 33-11212).
10.A2	Copy of first amendment to United Grocers, Inc. pension plan and trust agreement dated as of October 1, 1987 (incorporated by reference to Exhibit 10-B to post effective amendment No. 1 to the registrant's registration statement on Form S-2, No. 33-11212).
10.A3	Copy of policy summary and related documents pertaining to a life insurance policy for Alan C. Jones, President of the registrant, purchased pursuant to the registrant's supplemental executive retirement plan (incorporated by reference to Exhibit 10-E to the registrant's Form 10-K for the fiscal year ended September 28, 1990).
10.A4	Copy of registrant's executive deferred compensation plan (incorporated by reference to Exhibit 10-U to the registrant's Form 10-K for the fiscal year ended September 27, 1991).

10.B Copy of executive compensation agreement dated March 1, 1991 (incorporated by reference to Exhibit 10-T to the registrant's Form 10-K for the fiscal year ended September 27, 1991).

10.C Copy of binder of insurance with respect to indemnification of officers and directors (incorporated by reference to Exhibit 10.C to the registrant's Form 10-K for the fiscal year ended October 1, 1993).

10.D1 Typical forms executed in connection with loans to members, including directors:

10.D1a Installment note (Stevens-Ness form 217), with optional interest rate riders (incorporated by reference to Exhibit 10-D1a to the registrant's Form 10-K for the fiscal year ended October 2, 1992).

10.D1b Promissory note (Stevens-Ness form 216), with optional interest rate riders (incorporated by reference to Exhibit 10-D1b to the registrant's Form 10-K for the fiscal year ended October 2, 1992).

10.D1c Installment note (incorporated by reference to Exhibit 10.D1c to the registrant's Form 10-K for the fiscal year ended September 29, 1995).

10.D1d Renewal note for fixed rate loan (incorporated by reference to Exhibit 10.D1d to the registrant's Form 10-K for the fiscal year ended September 29, 1995).

10.D1e Subsequent note (three forms) (incorporated by reference to Exhibit 10-D1c to the registrant's Form 10-K for the fiscal year ended October 2, 1992).

10.D1f Loan agreement (two forms) (incorporated by reference to Exhibit 10-D1d to the registrant's Form 10-K for the fiscal year ended October 2, 1992).

10.D1g Loan agreement for subsequent notes (incorporated by reference to Exhibit 10-D1e to the registrant's Form 10-K for the fiscal year ended October 2, 1992).

10.D1h Amendment to loan and security agreements, including optional clauses (incorporated by reference to Exhibit 10-D1f to the registrant's Form 10-K for the fiscal year ended October 2, 1992).

10.D1i Amendment to installment note and security agreements (incorporated by reference to Exhibit 10.D1i to the registrant's From 10-K for the fiscal year ended September 29, 1995).

10.D1j Security agreement (Stevens Ness form 1201) (incorporated by reference to Exhibit 10-D1g to the registrant's Form 10-K for the fiscal year ended October 2, 1992).

10.D1k Purchase money security agreement (Stevens-Ness form 1202) (incorporated by reference to Exhibit 10-D1h to the registrant's Form 10-K for the fiscal year ended October 2, 1992).

10.D1l Security agreement for equipment (Stevens Ness form 1203) (incorporated by reference to Exhibit 10-D1i to the registrant's Form 10-K for the fiscal year ended October 2, 1992).

10.D1m Inventory loan and security agreement (Stevens-Ness form 1206) (incorporated by reference to Exhibit 10-D1j to the registrant's Form 10-K for the fiscal year ended October 2, 1992).

10.D1n Security agreement (equipment and inventory) (incorporated by reference to Exhibit 10-D1k to the registrant's Form 10-K for the fiscal year ended October 2, 1992).

10.D1o Security agreement for subsequent notes (incorporated by reference to Exhibit 10-D1l to the registrant's Form 10-K for the fiscal year ended October 2, 1992).

Pursuant to Instruction 2 to Item 601 of Regulation S-K, the registrant has filed the forms listed above in lieu of filing each copy executed in connection with loans to directors. A schedule showing the principal amount and interest rate of each director loan at November 30, 1995, appears in Item 13.C of the registrant's Form 10-K for the fiscal year ended September 29, 1995. The registrant agrees to furnish a copy of any omitted loan document to the Securities and Exchange Commission upon request.

10.D2a Typical form of residual stock redemption note executed in connection with redemption of common stock from members (incorporated by reference to Exhibit 10-D2 to the registrant's Form 10-K for the fiscal year ended October 2, 1992).

10.D2b Schedule listing material details of residual stock redemption notes payable to directors and nominees.

Pursuant to Instruction 2 to Item 601 of Regulation S-K, the registrant has filed the form and schedule listed above in lieu of filing each copy executed in transactions with directors. The registrant agrees to furnish a copy of any omitted document to the Securities and Exchange Commission upon request.

10.E1 Copy of sublease agreement for Aloha store dated January 3, 1994, between the registrant and CTD, L.L.C., a limited liability company controlled by Craig T. Danielson, a director of the registrant (incorporated by reference to Exhibit 10.E to the registrant's Form 10-Q for the quarterly period ended April 1, 1994).

10.E2 Copy of sublease agreement for Tigard store dated January 3, 1994, between the registrant and CTD, L.L.C., a limited liability company controlled by Craig T. Danielson, a director of the registrant (incorporated by reference to Exhibit 10.D to the registrant's Form 10-Q for the quarterly period ended April 1, 1994).

10.E3 Copy of sublease agreement for Sandy store dated May 4, 1994, between the registrant and Dan Inc Oregon, a corporation controlled by Craig T. Danielson, a director of the registrant (incorporated by reference to Exhibit 10.G3 to the registrant's Form 10-K for the fiscal year ended September 30, 1994).

10.E4 Copy of Asset Purchase and Sale Agreement dated May 4, 1994, for Sandy store between the registrant and Dan Inc Oregon, a corporation controlled by Craig T. Danielson, a director of the registrant (incorporated by reference to Exhibit 10.G4 to the registrant's Form 10-K for the fiscal year ended September 30, 1994).

10.E5 Copy of Asset Purchase and Sale Agreement dated January 3, 1994, for Aloha and Tigard stores between the registrant and CTD, L.L.C., a limited liability company controlled by Craig T. Danielson, a director of the registrant (incorporated by reference to Exhibit 10.C to the registrant's Form 10-Q for the quarterly period ended April 1, 1994).

10.F1 Copy of sublease agreement for Troutdale store dated December 15, 1993, between the registrant and a partnership in which Robert A. Lamb, a nominee for director of the registrant, is a partner (incorporated by reference to Exhibit 10.F1 to the registrant's Form 10-K for the fiscal year ended September 29, 1995).

10.F2 Copy of sublease agreement for Wilsonville store dated June 25, 1991, between the registrant and a partnership in which Robert A. Lamb, a nominee for director of the registrant, is a partner (incorporated by reference to Exhibit 10.F2 to the registrant's Form 10-K for the fiscal year ended September 29, 1995).

10.G Copy of sublease agreement for Magalia store dated March 15, 1994, between the registrant and Al Mancasola Grocery Markets, Inc., a corporation controlled by Ronald L. Mancasola, a nominee for director of the registrant (incorporated by reference to Exhibit 10.G to the registrant's Form 10-K for the fiscal year ended September 29, 1995).

10.H1 Copy of sublease agreement for Silverton store effective as of December 14, 1994, between the registrant and a partnership in which David D. Neal, a director of the registrant, is a partner (incorporated by reference to Exhibit 10.H1 to the registrant's Form 10-K for the fiscal year ended September 29, 1995).

10.H2 Copy of assignment of real property sale contract dated February 20, 1985, by David D. Neal to the registrant (incorporated by reference to Exhibit 10.H2 to the registrant's Form 10-K for the fiscal year ended September 29, 1995).

10.I1 Copy of sublease agreement for Coos Bay store dated February 28, 1991, between the registrant and Raymond Nidiffer, a director of the registrant (incorporated by reference to Exhibit 10-I19 to the registrant's Form 10-K for the fiscal year ended September 27, 1991).

10.I2 Copy of sublease agreement for Arcata store dated August 11, 1977, between the registrant and Raymond L. Nidiffer, a director of the registrant (incorporated by reference to Exhibit 10-Q2 of the registrant's registration statement on Form S-2, No. 33-26631).

10.I3 Copy of sublease agreement for Gold Beach store dated July 6, 1979, between the registrant and Raymond L. Nidiffer, a director of the registrant (incorporated by reference to Exhibit 10-Q3 of the registrant's registration statement on Form S-2, No. 33-26631).

10.I4 Copy of assignment of lease and related documents for Mt. Shasta store between the registrant and C & K Market, Inc., an affiliate of Raymond L. Nidiffer, a director of the registrant (incorporated by reference to Exhibit 10-Q4 of the registrant's registration statement on Form S-2, No. 33-26631).

10.I5 Copy of sublease agreement for Rogue River store dated June 25, 1976, between the registrant and Raymond L. Nidiffer, a director of the registrant (incorporated by reference to Exhibit 10-Q5 of the registrant's registration statement on Form S-2, No. 33-26631).

10.I6	Copy of lease agreement for Coos Bay store dated February 28, 1991, between the registrant and Raymond L. Nidiffer, a director of the registrant (incorporated by reference to Exhibit 10-I20 to the registrant's Form 10-K for the fiscal year ended September 27, 1991).
10.I7	Copy of loan guaranties dated June 12, 1980 and September 30, 1988 given by registrant for the benefit of C & K Market, Inc. an affiliate of Raymond L. Nidiffer, a director of the registrant (incorporated by reference to Exhibit 10-I12 to the registrant's Form 10-K for the fiscal year ended September 30, 1989).
10.I8	Copy of stock purchase agreement dated as of June 20, 1994, between the registrant and C&K Market, Inc., an affiliate of Raymond L. Nidiffer, a director of registrant (incorporated by reference to Exhibit 10.F8 to the registrant's Form 10-K for the fiscal year ended September 30, 1994).
10.J	Copy of sublease agreement for Oroville store dated June 4, 1993, between the registrant and Food Club of California, Incorporated, a corporation controlled by Michael S. Werness, a nominee for director of the registrant (incorporated by reference to Exhibit 10.J to the registrant's Form 10-K for the fiscal year ended September 29, 1995).
10.K1	Copy of sublease agreement for Albany store dated February 1, 1994, between the registrant and RAF Limited Liability Company, a limited liability company controlled by Richard L. Wright, a nominee for director of the registrant (incorporated by reference to Exhibit 10.K1 to the registrant's Form 10-K for the fiscal year ended September 29, 1995).
10.K2	Copy of sublease agreement for Cottage Grove store effective as of February 1, 1989, between the registrant and Wright's Foodliner, Inc., a corporation controlled by Richard L. Wright, a nominee for director of the registrant (incorporated by reference to Exhibit 10.K2 to the registrant's Form 10-K for the fiscal year ended September 29, 1995).
10.K3	Copy of sublease agreement for Eugene store dated October 27, 1991, between the registrant and Wright's Foodliner, Inc., a corporation controlled by Richard L. Wright, a nominee for director of the registrant (incorporated by reference to Exhibit 10.K3 to the registrant's Form 10-K for the fiscal year ended September 29, 1995).
10.K4	Copy of sublease agreement for Lincoln City store dated June 30, 1993, between the registrant and Wright's Foodliner, Inc., a corporation controlled by Richard L. Wright, a nominee for director of the registrant (incorporated by reference to Exhibit 10.K4 to the registrant's Form 10-K for the fiscal year ended September 29, 1995).
10.L	Copy of amended and restated credit agreement of May 31, 1995, among the registrant, United States National Bank of Oregon, and Seattle-First National Bank (incorporated by reference to Exhibit 4.C to the registrant's Form 10-K for the fiscal year ended

September 29, 1995).

10.M Copy of note agreement dated as of September 20, 1991, and senior notes dated September 24, 1991 among the registrant and various purchasers (incorporated by reference to Exhibit 4-I to the registrant's Form 10-K for the fiscal year ended September 27, 1991).

10.N Copy of Promissory Note, Assignment of Rents and Leases, Deed of Trust, Financing Agreement and Security Agreement, and Environmental Indemnity Agreement dated as of September 30, 1993, between the registrant and United of Omaha Life Insurance Company, relating to the registrant's construction of a new office building (incorporated by reference to Exhibit 4.E to the registrant's Form 10-K for the fiscal year ended October 1, 1993).

10.01 Copy of Loan Purchase and Servicing Agreement dated as of May 13, 1994, among United Resources, Inc., as Seller and Servicer, the registrant, as Guarantor, and National Consumer Cooperative Bank, as Buyer, relating to the selling of loans originated by the registrant's subsidiary, United Resources, Inc., (incorporated by reference to Exhibit 4.F1 to the registrant's Form 10-K for the fiscal year ended September 30, 1994).

10.02 Copy of First Amendment to Loan Purchase and Servicing Agreement of May 13, 1994, dated as of July 15, 1994, among United Resources, Inc., the registrant, and National Consumer Cooperative Bank (incorporated by reference to Exhibit 4.F2 to the registrant's Form 10-K for the fiscal year ended September 30, 1994).

10.03 Copy of Second Amendment to Loan Purchase and Servicing Agreement of May 13, 1994, dated as of September 28, 1995, between United Resources, Inc., the registrant, and National Consumer Cooperative Bank (incorporated by reference to Exhibit 4.F3 to the registrant's From 10-K for the fiscal year ended September 29, 1995).

10.04 Copy of Loan Purchase and Servicing Agreement (Holdback Program) dated as of September 28, 1995, between United Resources, Inc., as Seller and Servicer, and National Consumer Cooperative Bank, as Buyer, and related guaranty agreement between the registrant and National Consumer Cooperation Bank (incorporated by reference to Exhibit 4.F4 the registrant's Form 10-K for the fiscal year ended September 29, 1995).

10.P Copy of Note Agreement dated October 10, 1994, between the registrant and Phoenix Home Life Mutual Insurance Company (incorporated by reference to Exhibit 4.G to the registrant's Form 10-K for the fiscal year ended September 30, 1994).

12. Statement of Computation of Ratio of Adjusted Income to Fixed Charges (incorporated by reference to Exhibit 12 to the registrant's Form 10-K for the fiscal year ended September 29, 1995).

13. Portions of annual report to security holders incorporated by reference in the prospectus forming a part of this registration statement.

23.A. Consent of Miller, Nash, Wiener, Hager & Carlsen (filed as part of

	Exhibit 5).*
23.B.	Consent of DeLap, White & Raish.
24.	Power of attorney.
25.	Statement of Eligibility of Trustee.*
28.	Copy of schedule P of the annual statement for Grocers Insurance Company, a subsidiary of the registrant, as filed with the state insurance departments where the company operates, for the year ended December 31, 1993 (incorporated by reference to Exhibit 28 to the registrant's Form 10-K for the fiscal year ended September 29, 1995).

*   Previously filed.

</TABLE>

RESIDUAL STOCK NOTES
PAYABLE TO
DIRECTORS OR NOMINEES

All information is as of January 10, 1996

Director or Nominee	Note Amount	Interest Rate
Craig Danielson	$108,382.99	6.5%
Robert Lamb	$207,740.21	6.5%
Larry Montgomery	$73,815.00	6.5%

1995 MANAGEMENT

Alan C. Jones, President & CEO
Ronald E. Dove, Director of Operations
Ross E. Dwinell, President of Grocers Insurance Group, Inc.
George P. Fleming, Ass't Secretary, President of United Resources, Inc.
Ralph P. Matile III, Medford Division Manager
R. David May, President of Rich & Rhine, Inc.
Keith A. Miller, Director of Purchasing & Marketing
James E. Robinson, President of Thriftway Stores, Inc.
Susan D. Weber, Director of Human Resources
John W. White, Vice President & CFO
John M. Willis, Director of Foodservice

BOARD OF DIRECTORS
Top Row, left to right

Raymond L. Nidiffer
C&K Market, Inc. - Term expires 1997
Chairperson: Facility Planning Committee
Member: Executive Finance Committee

H. Richard Leonard
Market Basket Thriftway - Term expires 1998
Member: Executive Finance Committee

Gordon E. Smith
Vernonia Sentry & Food Basket Market Place Select
Term expires 1998
Member: Audit Committee

David D. Neal
SMN Company - Term expires 1997
Chairperson: Bylaw Review Committee
Member: Audit Committee

Dennis K. Blasingame
DA Boys Market - Term expires 1996
Chairperson: Audit Committee

Bottom Row, left to right

Peter J. O'Neal, Vice Chairman
Quality Food Investments, Inc.
Term expires 1997
Chairperson: Executive Finance Committee
Member: Facility Planning Committee
Member: Compensation Committee

Craig T Danielson, Chairman

Dan, Inc., Oregon - Term expires 1996
Chairperson: Compensation Committee
Member: Executive Finance Committee

Dean F. Ryan
Tops Sentry Market - Term expires 1998
Member: Facility Planning Committee

Not pictured

James C. Vickers
J.C. Market, Inc. - Term expires 1996
Chairperson: Nominating Committee
Member: UGPAC Legislative Committee

SUMMARY OF NET SALES AND OPERATIONS

<TABLE>
<CAPTION>

(Dollars in Thousands)

	For Fiscal Year Ended					
	September 29, 1995		September 30, 1994		October 1, 1993	
Product or Service	Revenue	Percentage of Total Revenue	Revenue	Percentage of Total Revenue	Revenue	Percentage of Total Revenue
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Grocery<F1>	432,499	42.48	399,803	41.87	370,237	42.20
Dairy & Deli	105,263	10.34	105,336	11.04	97,425	11.11
Meat	83,227	8.17	86,893	9.11	86,115	9.82
Produce	49,108	4.82	47,709	5.00	46,462	5.30
Frozen Foods	53,992	5.30	53,803	5.64	49,078	5.60
General Merchandise	45,165	4.44	45,285	4.75	42,494	4.85
Institutional<F2>	206,312	20.26	179,422	18.81	155,572	17.74
Retail Services	18,284	1.80	14,169	1.49	7,683	.88
Store Finance	3,117	.30	3,846	.41	2,374	.27
Distribution Segment	996,967	97.91	936,266	98.12	857,440	97.77
Insurance Segment	21,281	2.09	17,954	1.88	19,545	2.23
TOTAL	$1,018,248	100.00	$954,220	100.00	$876,985	100.00

<FN>
<F1> Grocery revenues include sales from retail stores operated on a temporary basis.
<F2> Institutional revenues include sales of all product lines.
</TABLE>

<TABLE>
<CAPTION>

SELECTED CONSOLIDATED FINANCIAL DATA

(Dollars in Thousands)

	For Fiscal Year Ended				
	Sept. 29, 1995	Sept. 30, 1994	Oct. 1, 1993	Oct. 2 1992	Sept. 27 1991
<S>	<C>	<C>	<C>	<C>	<C>
Net sales and operations	$1,018,248	$954,220	$876,985	$896,587	$882,878
Net income	1,379	1,563	1,714	2,723	1,712
Total assets	322,456	306,836	285,342	261,289	249,205
Long-term obligations	115,624	114,669	105,539	104,645	98,685

</TABLE>

No dividends on common stock have been declared during any of the fiscal years presented.

Sales are reported on a 52/53 week year basis. The year ending October 2, 1992 was 53 weeks, all other years are 52 weeks.

The amounts prior to 1993 have been restated to reflect charges in accounting for inventories, income taxes and investments as described in the notes to financial statements. The amounts for 1993 have been restated to reflect changes in accounting for reinsurance as described in the notes to financial statements.

ANNUAL 10-K REPORT

Stockholders may obtain a copy of the Company's 1995 Form 10-K Report filed with the Securities and Exchange Commission without charge by writing to John White, Vice President, United Grocers, Inc., Box 22187, Portland, OR 97269.

A BRIEF REVIEW

United Grocers, Inc. (United) an Oregon corporation organized in 1915, taxed as a cooperative, is a wholesale grocery distributor. It supplies groceries and related products to retail grocers located in Oregon, western Washington, and northern California. United's goal is to supply grocery products to retailers at prices which enable them to compete effectively in the retail market, and to furnish them other services, such as marketing assistance, engineering, accounting, financing, and insurance, which are important to the successful operation of a retail grocery business.

United also sells groceries and related products to restaurants, and other institutional buyers, as well as to retailers who are not members. These sales are through company-owned Cash and Carry stores located throughout its marketing areas.

Board of Directors
United Grocers, Inc.

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated balance sheets of United Grocers, Inc. and subsidiaries as of September 29, 1995 and September 30, 1994, and the related consolidated statements of income, members' equity and cash flows for each of the three years in the period ended September 29, 1995. 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 generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Grocers, Inc. and subsidiaries as of September 29, 1995 and September 30, 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 29, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for investments in 1994-95. Also, as discussed in Notes 4 and 11, the Company changed its method of accounting for inventories in 1992-93 and for reinsurance in 1993-94.

Portland, Oregon
December 14, 1995

DeLap, White & Raish

UNITED GROCERS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 29, 1995 AND SEPTEMBER 30, 1994

ASSETS

	1995	1994
Current assets:		
Cash and cash equivalents	$ 13,045,456	$ 12,984,028
Investments maintained for insurance reserves (Note 1.d. & f. & 2)	40,809,762	36,939,578
Accounts and notes receivable (Note 3 & 11)	70,706,049	60,290,461
Inventories (Note 1.e. & 4)	81,477,754	74,307,422
Other current assets (Note 11 & 13)	3,870,703	5,367,295
Deferred income taxes (Note 9)	2,537,323	2,811,914

Total current assets	212,447,047	192,700,698
Non-current assets:		
Notes receivable (Note 3)	21,950,478	33,155,543
Investment in and accounts with affiliated companies (Note 1.c. & 16)	8,392,281	7,832,484
Other receivables and investments	6,869,895	6,899,133
Other non-current assets (Note 5)	11,668,590	7,730,575
Total non-current assets	48,881,244	55,617,735
Property, plant and equipment - (net of accumulated depreciation) (Note 6)	61,127,772	58,517,120
Total	$322,456,063	$306,835,553

The accompanying notes are an integral part of this financial statement.

LIABILITIES AND MEMBERS' EQUITY

	1995	1994
Current liabilities:		
Notes payable - bank (Note 7)	$ 48,515,543	$ 31,020,667
Accounts payable	60,461,117	64,629,410
Insurance reserves supported by investments (Note 1.f., 2 and 11)	29,958,678	32,038,408
Compensation and taxes payable	3,118,827	2,952,534
Other accrued expenses	3,662,495	3,159,900
Members' patronage payable (Note 10)	6,646,867	6,865,736
Current installments on long-term liabilities (Note 8)	7,573,215	6,776,197
Total current liabilities	159,936,742	147,442,852

Long-term liabilities (Note 8)	115,623,670	114,669,266
Deferred income taxes (Note 9)	3,651,247	3,744,109
Deferred income (Note 14)	886,917	554,469
Total liabilities	280,098,576	266,410,696
Commitments and contingencies (Note 18)		
Members' equity:		
Common stock (authorized, 10,000,000 shares at $5.00 par value; issued and outstanding, 655,663 shares in 1995 and 619,881 shares in 1994) (shares owned by a member in excess of 4,000 are subject to repurchase Note 1.l. & m.)	3,278,315	3,256,080
Additional paid-in capital	23,956,797	22,472,564
Retained earnings	14,923,491	14,696,213
Unrealized gain on investments (Note 2)	198,884	--
Total members' equity	42,357,487	40,424,857
Total	$322,456,063	$306,835,553

UNITED GROCERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED SEPTEMBER 29, 1995, SEPTEMBER 30, 1994, AND OCTOBER 1, 1993

	1995	1994	1993
Net sales and operations	$1,018,248,456	$954,220,350	$876,985,353
Costs and expenses:			
Cost of sales (Note 1.e.)	870,097,228	816,721,077	749,447,130
Operating expenses	101,029,068	93,991,529	88,046,293
Selling and administrative expenses	10,872,432	9,533,741	9,441,916
Depreciation (Note 1.g. & 6)		5,952,576	5,609,779
4,737,401			
Interest:			
Interest expense	12,773,947	9,156,822	8,217,017
Interest income	(4,494,053)	(3,535,802)	(3,552,107)
Interest expense, net	8,279,894	5,621,020	4,664,910
Total costs and expenses	996,231,198	931,477,146	856,337,650

Income before members' allowances
and patronage dividends, and

income taxes	22,017,258	22,743,204	20,647,703
Members' allowances	(11,513,784)	(11,449,305)	(9,356,885)
Members' patronage dividends (Note 10)	(8,350,000)	(8,730,168)	(9,000,000)
Income before income taxes	2,153,474	2,563,731	2,290,818
Provision for income taxes (Note 9)	(774,469)	(1,000,341)	(576,435)
Net income	$ 1,379,005	$ 1,563,390	$ 1,714,383

The accompanying notes are an integral part of this financial statement.

<TABLE>
<CAPTION>

UNITED GROCERS, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
YEARS ENDED SEPTEMBER 29, 1995, SEPTEMBER 30, 1994,
AND OCTOBER 1, 1993

<S>	Common stock <C>	Additional paid-in capital <C>	Retained earnings <C>	Unrealized gain on investments <C>	Total <C>
Balance, October 2, 1992	$ 3,464,735	$20,642,128	$15,034,453	$ --	$39,141,316
Stock:					
Issued	78,755	759,972	--	--	838,727
Repurchased	(381,930)	(1,687,165)	(1,928,752)	--	(3,997,847)
Patronage dividends	124,195	1,291,628	--	--	1,415,823
Net income	--	--	1,714,383	--	1,714,383
Balance, October 1, 1993	3,285,755	21,006,563	14,820,084	--	39,112,402
Stock:					
Issued	148,090	1,515,656	--	--	1,663,746
Repurchased	(334,440)	(1,757,412)	(1,687,261)	--	(3,779,113)
Patronage dividends	156,675	1,707,757	--	--	1,864,432
Net income	--	--	1,563,390	--	1,563,390
Balance, September 30, 1994	3,256,080	22,472,564	14,696,213	--	40,424,857

Stock:					
Issued	115,780	1,260,324	--	--	1,376,104
Repurchased	(230,585)	(1,342,184)	(1,151,727)	--	(2,724,496)
Patronage dividends	137,040	1,566,093	--	--	1,703,133
Net income	--	--	1,379,005	--	1,379,005
Unrealized gain on investments	--	--	--	198,884	198,884
Balance, September 29, 1995	$ 3,278,315	$23,956,797	$14,923,491	$ 198,884	$42,357,487

</TABLE>

Common stock share information:

Description	Number of shares
Balance, October 2, 1992	651,250
Issued	57,448*
Repurchased	(76,386)
Balance, October 1, 1993	632,312
Issued	54,457*
Repurchased	(66,888)
Balance, September 30, 1994	619,881
Issued	81,899*
Repurchased	(46,117)
Balance, September 29, 1995	655,663

* Includes prior year patronage dividends to be issued.

The accompanying notes are an integral part of this financial statement.

<TABLE>
<CAPTION>

UNITED GROCERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 29, 1995, SEPTEMBER 30, 1994, AND OCTOBER 1, 1993

	1995	1994	1993
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 1,379,005	$ 1,563,390	$ 1,714,383
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	5,952,576	5,609,779	4,737,401
Provision for doubtful accounts and notes	1,894,189	1,992,589	2,182,551
Patronage dividends payable			

in common stock	1,703,133	1,864,432	1,415,823
Loss (gain) on sale of assets	402,634	174,927	(472,126)
Equity in loss (earnings) of affiliates	46,989	191,760	(772)
Deferred income taxes	181,729	474,889	341,209
(Increase) decrease in non-cash current assets:			
Accounts and notes receivable	(11,087,908)	(15,343,787)	1,564,454
Inventories	(7,170,332)	(441,006)	(3,358,014)
Other current assets	1,496,592	(642,531)	134,362
Increase (decrease) in non-cash current liabilities:			
Accounts payable and insurance reserves	(6,248,023)	5,018,583	9,768,705
Compensation and taxes payable	166,293	264,397	(1,107,883)
Other accrued expenses	502,595	(552,204)	239,803
Members' patronage payable	(218,869)	(349,191)	(525,047)
(Increase) decrease in other non-current assets	(3,908,777)	(2,598,160)	518,142
Net cash provided by (used in) operating activities	(14,908,174)	(2,772,133)	17,152,991
Cash flows from investing activities:			
Loans to members	(18,578,568)	(17,768,465)	(18,766,639)
Collections on loans to members	7,758,425	6,325,619	6,155,085
Proceeds from sale of member loans	20,803,339	8,606,739	900,373
Sale of investments	3,607,299	843,718	--
Redemption of investments	4,630,686	4,747,745	3,857,384
Purchase of investments	(11,909,285)	(8,133,459)	(8,039,512)
Investment in affiliated companies	(606,786)	(6,094,315)	--
Sale of property, plant and equipment	1,738,326	408,777	2,936,809
Purchase of property, plant and equipment	(10,371,740)	(5,254,582)	(11,990,981)
Net cash used in investing activities	(2,928,304)	(16,318,223)	(24,947,481)

</TABLE>

The accompanying notes are an integral part of this financial statement.

<TABLE>
<CAPTION>

UNITED GROCERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 29, 1995, SEPTEMBER 30, 1994, AND OCTOBER 1, 1993

<S>	1995 <C>	1994 <C>	1993 <C>
Cash flows from financing activities:			
Sale of common stock	$ 1,376,104	$ 1,663,746	$ 838,727

Repurchase of common stock	(2,724,496)	(3,779,113)	(3,997,847)
Proceeds of long-term liabilities:			
Revolving bank lines of credit	689,100,000	807,500,000	510,100,000
Mortgages and notes	25,640,393	12,104,717	5,505,830
Redeemable notes and certificates	19,529,600	22,395,400	25,322,100
Repayment of long-term liabilities:			
Revolving bank lines of credit	(671,605,124)	(801,209,733)	(499,918,520)
Mortgages and notes	(23,925,822)	(2,789,206)	(10,893,362)
Redeemable notes and certificates	(19,492,749)	(22,618,900)	(18,745,800)
Net cash provided by financing activities	17,897,906	13,266,911	8,211,128
Net increase (decrease) in cash and cash equivalents	61,428	(5,823,445)	416,638
Cash and cash equivalents:			
Beginning of year	12,984,028	18,807,473	18,390,835
End of year	$ 13,045,456	$12,984,028	$18,807,473

The accompanying notes are an integral part of this financial statement.

</TABLE>

UNITED GROCERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE YEARS ENDED SEPTEMBER 29, 1995

1. Summary of significant accounting policies

a. Reporting year

United Grocers, Inc. (the Parent) and subsidiaries (the Company) reports on a fiscal year of 52 or 53 weeks which is the fiscal year of the distribution segment. The Parent's fiscal closing date is the Friday nearest September 30. The fiscal year of the subsidiaries included in the insurance segment ends on September 30.

b. Organization

The Parent operates primarily as a wholesale grocery cooperative. The Parent's stock is owned by its member customers. Sales to these members account for approximately 80% of the wholesale grocery sales.

c. Principles of consolidation

The consolidated financial statements include the accounts of United Grocers, Inc. and its wholly-owned subsidiaries as follows: Grocers Insurance Group, Inc., Grocers Insurance Agency, Inc., UGIC, Ltd., Grocers Insurance Company, United Workplace Consultants, Inc., Western Passage Express, Inc., Northwest Process, Inc., UG Resources, Inc., United Resources, Inc., Affiliated General Agency, Inc., Premier Consulting, Inc., Western Security Services, Ltd., Rich and Rhine, Inc. (new in 1995) and BAT Enterprises, Inc. All intercompany balances and transactions have been eliminated upon consolidation. Investment in affiliated companies is stated at cost plus the Company's share of undistributed earnings since acquisition (see Note 16).

d. Investments

Beginning in 1994-95, the Company accounts for investments in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities, issued May 1993. See Note 2 for details. Investments are primarily in non-equity securities. The Company's intent is to hold most of these securities until maturity. Sales and redemptions of investments are primarily the result of maturities. Any realized gains or losses are usually the result of immaterial differences between the called amount and amortized cost. The market value of these investments at September 29, 1995 and September 30, 1994 is $41,610,228 and $36,487,841, respectively.

e. Inventories and cost of sales

Inventories relate primarily to the distribution operation and are valued at the lower of cost or market. The cost of these inventories is determined under the first-in, first-out (FIFO) method. See Note 4 for change in accounting for inventories.

1. Summary of significant accounting policies (continued)

e. Inventories and cost of sales (continued)

Cost of sales includes primarily the cost of distribution and insurance operations. The distribution operation costs include the purchases of product net of allowances paid and received, less the net advertising department margins, plus the handling allowances made to members based upon the cost of servicing their accounts. The insurance operation costs include losses reported, a provision for losses incurred but not reported and premium refunds.

f. Restricted assets and net assets

Restricted assets and net assets that may not be transferred to the parent company in the form of loans, advances, or cash dividends by the insurance company subsidiary without the consent of various state insurance agencies as of September 29, 1995 are as follows:

Cash and cash equivalents	$ 350,238
Investments	17,284,345
Total	$17,634,583

In addition, although not formally restricted, the balance of the investments of $23,326,533 represents assets that have been accumulated for the possible payment of claims against the insurance reserves.

g. Property, plant and equipment

Property, plant and equipment is carried at cost and includes expenditures for new facilities and those which substantially increase the useful lives of the existing plant and equipment. The Company capitalizes interest as a component of the cost of significant construction projects. During the year ended October 1, 1993, interest was capitalized in the amount of $64,929 out of a total interest of $8,281,946 which resulted in an increase in the net income of approximately $49,000. No interest was capitalized in 1995 or 1994.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are generally as follows:

Buildings	40 - 75 years
Building improvements	Balance of building life
Warehouse equipment	5 - 20 years
Truck equipment	3 - 8 years
Office equipment	5 - 10 years

1. Summary of significant accounting policies (continued)

h. Amortization

Long-term liability loan costs, software costs, goodwill, and non-competition agreements are being amortized and charged to operating expenses on a straight-line basis over five to twenty years.

i. Reinsurance

In the normal course of business, the Company seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Amounts paid for prospective reinsurance are reported as prepaid reinsurance premiums and amortized over the remaining contract period in proportion to the amount of insurance protection provided.

j. Income taxes

The Company and its subsidiaries file a consolidated federal income tax return. Income tax expense is allocated among those companies with taxable income. The Company operates and is taxed as a cooperative. Accordingly, amounts distributed as patronage dividends are not included in its taxable income but are instead taxed to the individual members receiving the patronage dividends. Deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year end based on enacted tax laws and statutory tax rates applicable to the years in which the differences are expected to affect taxable income. In 1995 a valuation allowance of $2,994,000 was considered necessary for state NOL carryovers to reduce the deferred tax asset to the amount expected to be realized. Income tax expense is the tax payable for the year and the change during the year in net deferred tax assets and liabilities. See Note 9 for details.

k. Earnings per common share

The Company's policy is to distribute earnings only in the form of patronage dividends. No dividends have ever been declared on the common stock of the Company, and all earnings not distributed as patronage dividends have been retained. Earnings per common share are not shown because no earnings are available for the purpose of paying dividends on the common stock.

l. Treasury stock

The Company uses the par value method of accounting for treasury stock. Under Oregon corporation law, treasury stock must be canceled upon redemption.

1. Summary of significant accounting policies (continued)

m. Common stock

The Company's board policy, subject to change without notice, requires the Company to repurchase on request the number of shares a member owns in excess of 4,000 shares. The excess shares are repurchased over a five year period at the current adjusted book value each year, payable in cash. At September 29, 1995 and September 30, 1994, there were 18,229 and 22,409 shares, respectively, subject to repurchase in the amount of $1,084,626 and $1,277,313, respectively. At September 29, 1995 and September 30, 1994, there were 1,471 and 2,869 shares, respectively, held for possible redemption in the amount of $87,525 and $163,533, respectively.

n. Advertising costs

The Company expenses the production costs of advertising the first time the advertising takes place. Advertising expense for 1995, 1994 and 1993 was $1,191,436, $1,027,214 and $981,399, respectively.

o. Statement of cash flows

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

p. Reclassifications

Certain reclassifications have been made to prior year balances to conform to the current year classification.

2. Investments

Investments in accordance with SFAS No. 115 (see Note 1.d.) are classified and accounted for as follows:

- Held-to-maturity securities are reported at amortized cost.
- Trading securities are reported at fair value, with unrealized gains and losses included in earnings.
- Available-for-sale securities are reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of members' equity.

SFAS No. 115 is not applied retroactively to prior years' financial statements. The effect on retained earnings of initially applying this statement is reported as a change in accounting principle. The cumulative effect as of October 1, 1994 was an unrealized loss of approximately $46,000.

2. Investments (continued)

The amortized cost and estimated market values of investments in debt securities and other investments at the balance sheet date are as follows:

Name of issuer and title of each issue	Number of shares or units	Carrying amount and amortized cost of each issue	Market value of each issue
1995:			
United States Government and its agencies	25,350,000	$25,769,781	$26,506,490
Any state of the United States and its agencies	2,840,000	2,979,132	3,018,919

Political subdivision of a state of the United States and its agencies	5,995,000	6,201,500	6,319,852
Corporate bonds	5,610,000	5,658,984	5,756,735
Subtotal - debt securities	40,609,397	41,601,996	
Corporate stock	298	1,481	8,232
Subtotal	40,610,878	41,610,228	
Unrealized gain on available-for-sale securities		198,884	--
Total		$40,809,762	$41,610,228
1994:			
United States Government and its agencies	18,670,000	$19,303,713	$18,846,955
Any state of the United States and its agencies	3,395,000	3,539,142	3,531,561
Political subdivision of a state of the United States and its agencies	8,275,000	8,604,835	8,615,517
Corporate bonds	5,410,000	5,490,407	5,487,134
Subtotal - debt securities		36,938,097	36,481,167
Corporate stock	298	1,481	6,674
Total		$36,939,578	$36,487,841

2. Investments (continued)

Investments of debt securities by classification under SFAS No. 115 at September 29, 1995 are as follows:

	Amortized cost	Gross unrealized gains and (losses)	Aggregate fair value
Held-to-maturity	$35,827,706	$ 793,715	$36,621,421
Available-for-sale	4,781,691	198,884	4,980,575
Total	$40,609,397	$ 992,599	$41,601,996

For the year ended September 29, 1995 (initial year of application) the gross proceeds from the sales of securities available-for-sale was $3,607,299. The gross realized gains from these sales were $142,257. There were no realized losses. The method used to determine cost when calculating the realized gains was the amortized cost of the specific security sold. There are no gains or losses included in earnings as a result of transfers of securities between categories. There were no securities classified as trading securities during this initial year.

During this initial year, because of changing market conditions, management decided to transfer certain securities from held-to-maturity category to the available-for-sale category. The amortized cost of these securities at the time of transfer was $4,751,807 with a related net unrealized gain of $386,834.

The amortized cost and estimated market value of debt securities at the balance sheet date, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	1995		1994	
	Amortized cost	Market value	Amortized cost	Market value
Due in one year or less	$ 5,210,406	$ 5,303,554	$ 4,136,043	$ 4,176,752
Due after one year through five years	19,066,319	19,415,921	16,869,731	17,046,729
Due after five years through ten years	15,783,193	16,324,879	15,882,892	15,207,218
Due after ten years	549,479	557,642	49,431	50,468
Total	$40,609,397	$41,601,996	$36,938,097	$36,481,167

3. Accounts and notes receivable

These consist of amounts due principally from members at the balance sheet date as follows:

	1995	1994
Accounts receivable	$59,229,982	$46,640,928
Insurance premiums and related balances	8,509,160	10,898,715
Less allowance for doubtful accounts	(1,176,767)	(1,270,987)

Net accounts receivable	66,562,375	56,268,656
Notes receivable - current portion	4,224,381	4,057,961
Less allowance for doubtful notes	(80,707)	(36,156)
Net current notes receivable	4,143,674	4,021,805
Net current accounts and notes receivable	$70,706,049	$60,290,461
Notes receivable - non-current portion	$22,378,000	$33,454,161
Less allowance for doubtful notes	(427,522)	(298,618)
Net non-current notes receivable	$21,950,478	$33,155,543

The notes receivable from members are generally for periods of two years to ten years at interest rates of 3.00% to 12.00%. The annual maturities for each of the next five fiscal years following September 29, 1995 are as follows:

Year	Amount
1996	$ 4,224,381
1997	1,812,209
1998	1,894,931
1999	2,021,685
2000	1,877,851

The provision for doubtful accounts and notes charged to operating expenses for the three years ended September 29, 1995 amounted to $1,894,189, $1,992,589, and $2,182,551, respectively.

4. Change in accounting for inventories

The Company changed in 1992-93 its method of accounting for the cost of the general wholesale grocery category of inventories from the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method. The Company believes that the use of the FIFO method better matches current costs with current revenues and more appropriately reflects its financial condition. This change has also been made for income tax purposes.

4. Change in accounting for inventories (continued)

The change has been applied retroactively and the effect of this change on beginning retained earnings at October 2, 1992 is as follows:

As previously reported in 1991-92	$14,924,706
LIFO inventory adjustment	178,034
Less tax effect	(68,287)
Net adjustment	109,747
As restated	$15,034,453

5. Other non-current assets

Other non-current assets at the balance sheet date consist of the following:

	1995	1994
Covenant not to compete - net of accumulated amortization of $1,232,869 in 1995 and $802,445 in 1994	$ 1,641,813	$ 765,953
Software - net of accumulated amortization of $1,737,639 in 1995 and $1,295,466 in 1994	1,582,531	2,108,790
Loan fees - net of accumulated amortization of $682,199 in 1995 and $584,847 in 1994	425,189	460,097
Software in progress	5,162,152	2,693,772
Other	2,856,905	1,701,963
Total	$11,668,590	$ 7,730,575

6. Property, plant and equipment (at cost)

Property, plant and equipment as of the balance sheet date consists of the following:

	1995	1994
Land	$ 3,580,477	$ 3,421,277
Buildings and improvements	54,103,086	54,204,591
Warehouse and truck equipment	37,627,830	34,291,075
Office equipment	11,104,702	8,564,659
Construction in progress	1,323,492	640,035
Total property, plant and equipment	107,739,587	101,121,637
Less accumulated depreciation	(46,611,815)	(42,604,517)
Net property, plant and equipment	$61,127,772	$58,517,120

Depreciation expense for 1995, 1994 and 1993 was $5,952,576, $5,609,779 and $4,737,401, respectively.

7. Notes payable - bank

Notes payable - bank consists of borrowings on bank lines of credit at a weighted average interest rate of 6.75% at September 29, 1995 and 5.72% at September 30, 1994.

At September 29, 1995 and September 30, 1994, the Company had unused lines of credit totaling $24,500,000 and $19,000,000, respectively; and unused letters of credit totaling $350,000 at September 30, 1994, only.

In April of 1993, the Company entered into a three year reverse interest swap agreement with a bank. Under the agreement, the Company receives a fixed rate of 4.40% on $20 million (notional amount) and pays a floating rate based on LIBOR, as determined in six month intervals. The transaction effectively changes a portion of the Company's interest rate exposure from a fixed rate to a floating rate basis, accordingly, all gains or losses have been recognized as adjustments to interest expense. This swap agreement has been entered into with a major financial institution which is expected to fully perform under the terms of the agreement thereby further mitigating the risk from the transaction.

8. Long-term liabilities

Long-term liabilities at the balance sheet date consist of the following:

	1995	1994
Notes payable - bank:		
Credit agreement notes maturing on April 30, 1997 with interest rates of 6.70% per annum at September 29, 1995 and 5.77% per annum at September 30, 1994. The interest rates ranged from 5.95% to 7.00% in 1995 and from 3.84% to 5.89% in 1994.	$ 17,000,000	$ 35,000,000
Notes payable - insurance companies:		
Senior notes payable to seven (six in 1994) insurance companies with interest rates of 8.42% and 9.15% per annum. Interest payable monthly. Principal repayments annually commencing October 1, 1992 in the amount of $3,336,000 and each October 1 thereafter in the amount of $3,333,000 until 2000; and		

$4,000,000 due in 2004, maturing in full 2005.	39,998,000	23,331,000

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8. Long-term liabilities (continued)

	1995	1994
Notes payable - other:		
Capital stock residual notes, payable in twenty quarterly installments with a variable interest rate based on the current capital investment note rate.	$ 4,239,958	$ 3,810,679
A discounted note payable in the original amount of $1,741,265 without interest, discounted at 9.90%, payable in two installments of $641,265 in 1996 and $1,100,000 in 1997.	1,528,170	--
A covenant not-to-compete in the original amount of $1,072,008 with interest at 9.90%, payable in monthly installments of $42,500 until 2004.	1,022,795	--
Four notes with interest at 7.50% per annum payable in monthly installments of $24,404 beginning October 1995 (secured by equipment).	1,217,712	--
Two notes with interest at 9.25% per annum payable in monthly installments of $28,136 beginning January 1988 (secured by equipment).	--	83,123
A real property contract for the purchase of an office building, payable in 180 monthly installments of $2,346 including interest at 12.5% per annum until 1999 (secured by real property).	85,386	101,734
Other note payable	2,292	27,500
Mortgage notes (secured by real property):		
A note payable in monthly installments of $41,449 including interest at 9% until 1996.	442,243	878,279
A note payable in monthly installments of $43,721 including interest at 10.30%		

per annum until 1995.	--	457,059
A note payable in monthly installments of $31,615 including interest at 7.25% until 2013.	3,816,529	3,907,589

8. Long-term liabilities (continued)

	1995	1994
Redeemable notes and certificates:		
Capital investment notes (subordinated), interest ranging from 5.75% to 8%. Maturity dates range from 1995 to 2004 which is ten years from dates of issue.	$ 50,619,400	$ 50,319,700
Registered redeemable building notes (subordinated), interest at 8%. No fixed maturity date.	3,199,100	3,482,400
Redeemable transferable notes, (subordinated), interest at 5.75%. No fixed maturity.	25,300	46,400
Total	123,196,885	121,445,463
Less current installments	(7,573,215)	(6,776,197)
Total long-term liabilities	$115,623,670	$114,669,266

Total maturities of long-term liabilities in each of the next five fiscal years are as follows:

Year	Amount
1996	$ 7,573,215
1997	25,377,366
1998	5,904,803
1999	6,115,983
2000	6,346,450

The Company's loan agreements require the maintenance of certain financial ratios and a minimum amount of capital and subordinated debt. The Company was in compliance with these requirements as of September 29, 1995 and September 30, 1994.

9. Income taxes

The provision for income taxes for the three years consists of the following:

	1995	1994	1993
Current payable:			
Federal	$ 542,585	$ 439,200	$ 162,758
State	50,156	86,252	72,468
Deferred	181,728	474,889	341,209
Total	$ 774,469	$1,000,341	$ 576,435

9. Income taxes (continued)

The effective income tax rate for the three years ended September 29, 1995 does not correspond with the Federal tax rate. The reconciliation of this rate to the effective income tax rate is as follows:

	1995	1994	1993
Statutory income tax rate (34%)	$ 732,181	$ 871,668	$ 778,878
State income taxes, net of Federal income tax benefit	33,103	56,926	47,829
Tax exempt interest	(133,622)	(158,673)	(133,080)
Refunds as a result of carrybacks	(64,954)	--	(184,980)
Prior year under accrual	--	179,235	--
Other	207,761	51,185	67,788
Income tax expense	$ 774,469	$1,000,341	$ 576,435
Effective income tax rate	36.0%	39.0%	25.2%

The significant components of the deferred income taxes - current asset and non-current liability as of the balance sheet date are as follows:

	1995	1994
Deferred income taxes - current asset:		
Insurance reserves	$1,041,485	$1,041,678
Inventories	746,442	738,842
Unearned insurance premiums	508,089	541,417
Allowance for doubtful accounts	420,530	471,288
Other	(179,223)	18,689
Total	$2,537,323	$2,811,914

Deferred income taxes - non-current liability:		
Accumulated depreciation	$5,070,833	$4,589,568
Deferred income	(345,898)	(216,243)
Allowance for doubtful notes	(233,679)	(143,653)
Deferred compensation	(174,550)	(129,398)
Advance deposits	(54,020)	(52,004)
Alternative minimum tax (AMT) credit	(611,439)	(304,161)
Total	$3,651,247	$3,744,109

9. Income taxes (continued)

The significant components of deferred income tax expense for the three years are as follows:

	1995	1994	1993
Decrease (increase) in deferred income taxes - asset	$ 274,590	$ 11,915	$ 157,747
(Decrease) increase in deferred income taxes - liability after applying AMT credit	(92,862)	62,974	183,462
Total	$ 181,728	$ 474,889	$ 341,209

The Company has net operating loss carryovers of approximately $3,500,000 to apply against future years' State income taxes, expiring in years 2007 through 2010. These operating loss carryovers are the result of the insurance company subsidiary being required to file a separate calendar year State tax return and not giving the parent the benefit of this offset on its State tax return. The Company also has unused State energy tax credits of approximately $45,000, expiring in 1998.

10. Members' patronage dividends

The Company's income from sales to members, before income taxes and patronage dividends, is available, at the discretion of the Board of Directors, to be returned to the members in the form of patronage dividends. As of year end, the Board of Directors voted to distribute the following in patronage dividends:

	1995	1994	1993
Payable in cash and shown as a current liability	$ 6,646,867	$ 6,865,736	$ 7,584,177
Distributable in the form of common stock	1,703,133	1,864,432	1,415,823

Total	$ 8,350,000	$ 8,730,168	$ 9,000,000

11. Reinsurance

The Company in 1994 adopted the Statement of Financial Accounting Standards (SFAS) No. 113, Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts, issued in December, 1992. The Statement requires that transactions relating to reinsurance transactions be reported at gross amounts rather than net amounts. The effect on the consolidated financial statements of the Company is to gross up the insurance liabilities by reclassifying the ceded reinsurance amounts for reinsurance recoverables and prepaid reinsurance premiums as assets.

11. Reinsurance (continued)

There is no effect or change to the consolidated income statement as the income statement classifications did not change. Net premiums earned continue to be reported as net sales and operations while net losses and loss adjustment expenses continue to be reported as cost of sales.

Reinsurance contracts do not relieve the Company from its obligation to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Reinsurance amounts reflected in the financial statements are as follows:

	1995	1994
For the balance sheet:		
Reinsurance recoverable for ceded losses	$ 5,081,542	$ 3,792,152
Prepaid reinsurance premiums	2,050,101	1,394,254
Total	$ 7,131,643	$ 5,186,406

	1995	1994	1993
For the income statement:			
Premiums written:			
Gross	$27,808,928	$23,992,639	$24,430,854

Assumed	698,280	860,953	715,760
Ceded	(7,364,002)	(6,652,410)	(6,597,150)
Net premiums written	$21,143,206	$18,201,182	$18,549,464
Percentage of amount assumed to net	3.30%	4.73%	3.86%
Premiums earned:			
Gross	$27,375,036	$23,736,321	$24,185,628
Assumed	718,692	829,978	750,619
Ceded	(7,364,002)	(6,505,887)	(6,493,811)
Net premiums earned	$20,729,726	$18,060,412	$18,442,436
Percentage of amount assumed to net	3.47%	4.60%	4.07%

11. Reinsurance (continued)

	1995	1994	1993
Expenses:			
Losses and loss adjustment expenses	$21,000,749	$15,079,858	$17,481,462
Reinsurance recoveries	(5,511,850)	(3,389,844)	(2,121,602)
Net losses and loss adjustment expenses	$15,488,899	$11,690,014	$15,359,860

12. Segment reporting

The Company has two operating segments which are located primarily in the Pacific Northwest. The distribution segment includes all operations relating to wholesale grocery and related product sales, retail grocery sales, service department revenues, and financing income and fees. The insurance segment includes all operations relating to insurance underwriting, commissions, and reinsurance primarily to provide workers' compensation and property-casualty coverage.

A summary of information about the Company's operations by segment before intersegment eliminations for the three years is as follows:

	1995	1994	1993
Net sales and operations:			
Distribution	$ 996,966,961	$936,266,067	$857,439,871

	1995	1994	1993
Insurance	22,794,952	18,788,523	20,525,392
Less intersegment insurance sales and expenses	(1,513,457)	(834,240)	(979,910)
Total	$1,018,248,456	$954,220,350	$876,985,353

	1995	1994	1993
Income before allowances, dividends, income taxes and accounting change:			
Distribution	$ 18,889,425	$ 19,791,157	$ 18,162,132
Insurance	3,127,833	2,952,047	2,485,571
Total	$ 22,017,258	$ 22,743,204	$ 20,647,703

	1995	1994	1993
Total assets:			
Distribution	$ 260,365,677	$243,267,148	$226,346,768
Insurance	63,698,155	64,923,598	64,591,472
Total	$ 324,063,832	$308,190,746	$290,938,240

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12. Segment reporting (continued)

	1995	1994	1993
Depreciation expense:			
Distribution	$ 5,770,681	$ 5,408,896	$ 4,643,401
Insurance	181,895	200,883	94,000
Total	$ 5,952,576	$ 5,609,779	$ 4,737,401
Capital expenditures:			
Distribution	$ 10,096,516	$ 5,161,425	$ 11,310,048
Insurance	275,224	93,157	680,933
Total	$ 10,371,740	$ 5,254,582	$ 11,990,981

For net sales and operations, wholesale grocery sales (primarily to members) during the three years ended September 29, 1995 accounted for approximately 93%, 95% and 93%, respectively, of the distribution total. Premium revenue (primarily from members) accounted for approximately 96%, 95% and 90%, respectively, of the insurance total.

The change in the method of accounting for inventories (Note 4) related to and affected only the distribution segment.

13. Retirement plans

The Company has a Company-sponsored pension plan that covers substantially all of its salaried employees. The Company also has separate Company-sponsored 401(k) plans for salaried and union employees. The Company has made annual contributions to the plans equal to the amount annually accrued for pension expense. The Company's funding policy is to satisfy the funding requirements of the Employees' Retirement Income Security Act.

The Company also participates in several multi-employer pension plans for the benefit of its employees who are union members. The data available from administrators of the multi-employer plans is not sufficient to determine the accumulated benefit obligation, nor the net assets attributable to the multi-employer plans in which the Company's union employees participate.

The financial statements include pension expense for the company-sponsored pension plan as determined using Statement of Financial Accounting Standards (SFAS) No. 87, Employers' Accounting for Pensions. The effect of SFAS 87 was a decrease of pension expense in the amount of $362,794 for 1995, $546,894 for 1994, and $484,020 for 1993. The Company's unrecognized net asset resulting from the initial application of SFAS 87 is being amortized over eighteen years.

In determining the actuarial present value of the projected benefit obligation, a discount rate of 8% and a future maximum compensation increase rate of 4% were used. The expected long-term rate of return on assets was 8%.

13. Retirement plans (continued)

Pension costs for all plans for the three years consist of the following:

	1995	1994	1993
Company-sponsored:			
Service costs of benefits earned	$ 945,413	$ 918,423	$ 910,214
Interest cost on the projected benefit obligation	1,557,954	1,448,447	1,339,393
Expected return on plan assets	(1,713,673)	(1,688,595)	(1,443,513)
Net amortization of unrecognized net asset	(168,168)	(168,168)	(168,168)
Unrecognized net gain	--	(4,414)	--
Unrecognized prior service cost	61,478	73,760	73,760
Net salaried pension cost	683,004	579,453	711,686
Multi-employer plan costs	2,590,269	2,395,300	2,180,280
Matching costs of 401(k) plans	384,282	391,605	437,413

Total pension expense	$ 3,657,555	$ 3,366,358	$ 3,329,379

The following table sets forth the Company-sponsored plan's funded status as of year end:

Actuarial present value of benefit obligations:			
Vested	$14,997,208	$13,337,570	$12,397,747
Non-vested	927,101	823,015	819,479
Accumulated benefit obligation	15,924,309	14,160,585	13,217,226
Effect of projected future compensation levels	4,767,286	4,881,117	4,501,814
Projected benefit obligation	20,691,595	19,041,702	17,719,040
Plan assets at fair value, primarily listed stocks, fixed income, and bond and equity funds	24,482,376	22,030,725	21,056,267
Excess of plan assets over projected benefit obligation	3,790,781	2,989,023	3,337,227
Unrecognized prior service cost	716,993	778,471	1,031,162
Unrecognized net gain	(2,745,049)	(1,422,307)	(2,273,777)
Unrecognized net asset, net of amortization	(1,729,335)	(1,897,503)	(2,065,671)
Prepaid pension cost	$ 33,390	$ 447,684	$ 28,941

13. Retirement plans (continued)

In addition to pension benefits, the Company provides health benefits for certain retired salaried employees. The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 106, Employer's Accounting for Post Retirement Benefits Other Than Pensions. This statement will require accrual of such benefits during the years an employee provides services. The costs of these benefits are currently expensed on a pay-as-you-go basis. The cost of this retiree health care is funded out of current operations and was approximately $349,000 in 1995, $356,000 in 1994 and $282,000 in 1993. The impact of this new standard has not been fully determined, but the change likely will result in a greater liability and expense being recognized for these benefits. The Company has until 1995-96 to adopt this Statement because fewer than 500 employees will be affected.

14. Leases

The Company is obligated under one hundred and thirteen significant leases in 1995. Forty-one of these leases are for twenty to twenty-five years with renewal options and involve supermarket properties which are subleased to members. Six of these leases are subleased to affiliated companies. The remaining leases represent property and equipment used by the Company. The leases expire at various dates, the last expiring in 2018. Rental expense for the three years consists of the following:

	1995	1994	1993
Minimum rentals	$15,252,948	$13,690,702	$14,082,104
Less sublease income	6,549,338	(5,971,461)	(6,554,855)
Net rental expense	$ 8,703,610	$ 7,719,241	$ 7,527,249

The following is a schedule by years showing future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of September 30, 1995:

Fiscal year	Minimum payments (A)	Minimum receipts (B)	Net minimum
1995-1996	$ 15,340,062	$ 6,616,852	$ 8,723,010
1996-1997	12,632,668	6,272,417	6,360,251
1997-1998	11,177,507	5,659,728	5,517,779
1998-1999	11,052,452	5,657,941	5,394,511
1999-2000	10,568,835	5,731,107	4,837,728
Later years	84,945,834	51,838,150	33,837,728
Total	$145,717,358	$81,776,195	$63,941,163

14. Leases (continued)

	Minimum payments (A)	Minimum receipts (B)	Net minimum
Summary:			
Building leases	$141,084,573	$81,582,941	$59,501,532
Equipment leases	4,632,785	193,054	4,439,531
Total	$145,717,358	$81,776,195	$63,941,163

(A) Minimum payments are those required by the Company over the terms of the significant leases.

(B) Minimum receipts are those to be received by the Company from sublease agreements.

Nineteen of the subleases as of September 29, 1995, are insured by the Company's foreign subsidiary, UGIC, Ltd. The annual rental for these leases is approximately $1,900,000. The total remaining minimum payments over the lease term for these same leases is approximately $26,900,000.

The Company has sale-leaseback transactions for four cash and carry outlets. The sales resulted in deferred gains of approximately $1,200,000 which are being amortized over the leaseback period of fifteen years. The total remaining lease commitments are approximately $4,250,000 over fifteen years with an annual rental of approximately $310,000.

15. Supplemental cash flow information

	1995	1994	1993
Supplemental disclosures:			
Cash paid during the year for:			
Interest	$11,753,143	$ 8,898,144	$ 8,292,247
Income taxes - net of refunds	341,836	336,810	647,836
Supplemental schedule of noncash investing and financing activities:			
Patronage dividends payable in common stock	1,703,103	1,864,432	1,415,823

16. Affiliated companies

The Company owns interests in three separate affiliates which are accounted for on the equity method. All of these affiliates are in the grocery distribution business. One affiliate is a vendor that provides private label brand merchandise. The other affiliates operate retail grocery stores and are also members of the Company.

16. Affiliated companies (continued)

An approximate summary of aggregate transactions with these affiliates is as follows:

	1995	1994
As of year end:		
Equity interest	$ 8,392,000	$ 7,832,000
Accounts receivable	4,820,000	1,860,000
Notes receivable	6,440,000	4,355,000
Accounts payable	(4,930,000)	(6,006,000)
Undistributed earnings	1,416,000	1,463,000

	1995	1994	1993
During the year ended:			
Increase in equity interest	$ 607,000	$ 6,094,000	$ --
Sales	91,447,000	22,945,000	--
Purchases	97,541,000	89,179,000	70,334,000
Volume incentive rebate	(1,707,000)	(1,561,000)	(1,231,000)
Refunds, rebates and allowances	3,013,000	701,000	--
Equity interest income (loss)	(47,000)	(192,000)	--

These affiliates and the Company's percentage of ownership are as follows:

Western Family Holding Company	22%
C & K Market, Inc.	22%
R.A.F. Limited Liability Company	50%

All of these affiliates are privately held companies for which no ready market values are available. In management's opinion the equity interest as stated is equal to or less than the fair value of their interest in these affiliates.

17. Concentrations of credit risk

The Company holds its cash and cash equivalents in several banks located in the Pacific Northwest and a zero balance bank account located in the Midwest. Each bank is covered by FDIC insurance; balances in excess of coverage are not insured.

As a cooperative, the majority of the Company's accounts receivable represent sales to its members who are located throughout the Pacific Northwest. These accounts are not generally secured by collateral but each member has stock holdings in the Company as well as patronage rebates which the Company could apply against account balances.

17. Concentrations of credit risk (continued)

The Company makes store financing loans to members from time to time mainly to finance the acquisition of grocery store properties and equipment. These loans are represented by notes receivable which are secured by collateral consisting of personal property, securities and guarantees. See Note 18a. for sale of notes subject to limited recourse provisions.

The insurance subsidiaries have investments primarily in federal securities and state municipal bonds which are backed by the full faith and credit of the respective governmental agency. See Note 2 for investment details.

18. Commitments and contingencies

a. The Company has entered into various agreements under which it sells certain of its notes receivable from members subject to limited recourse provisions. These notes are secured by collateral which usually consists of personal property, securities and guarantees. The Company in turn receives a monthly service fee. In 1995, 1994 and 1993, the Company sold notes totaling approximately $20,800,000, $8,625,000 and $900,000, respectively. The balances of transferred notes that were outstanding and subject to recourse provisions were $28,537,400, $13,652,000 and $13,441,000 at September 29, 1995, September 30, 1994 and October 1, 1993, respectively.

b. In connection with its loan activities to members, the Company has approved loan applications totaling approximately $12,700,000 for which funds have been committed, but not disbursed, as of September 29, 1995.

c. The Company is guarantor of a covenant by a member as of September 29, 1995 totaling $300,000 with annual principal payments of approximately $50,000.

d. The Company is a party to various litigation and claims arising in the ordinary course of business. While the ultimate effect of such actions cannot be predicted with certainty, the Company expects that the outcome of these matters will not result in a material adverse effect on the Company's consolidated financial position or results of operations.

19. Subsequent event

In December 1995 the Company entered into a transaction to acquire certain assets and assume certain liabilities and property leases of a wholesale grocery operation in California. The approximate net book value purchase amount was $19,200,000. The approximate annual sales volume for this new operation is $300,000,000.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Overview

During fiscal year 1995, net sales and operations increased 6.7% to $1,018.2 million. This compares to an 8.8% increase in 1994 to $954.2 million. Income before members' allowances, patronage dividends, and income taxes decreased $0.7 million to $22.0 million (2.16% of sales). This compares to $22.7 million (2.38% of sales) and $20.6 million (2.35% of sales) in 1994 and 1993 respectively.

During 1995, the increase in net sales and operations was primarily attributable to the distribution segment which enjoyed increased Cash & Carry unit volume and increased sales from the Company's acquisition of Rich and Rhine, Inc. In addition, the insurance segment generated increased sales primarily due to increased premium volume from growth in policies issued. These gains in sales were offset by lower sales from company-owned retail stores.

In 1995, the Company had increased profits within its distribution segment from its Cash & Carry and other nonmember distribution segment operations, and lower operating losses at company-owned retail stores. Within the insurance segment, profits increased from agency operations and lease insurance activities. These profit gains were offset by higher interest expenses due to higher borrowing rates and average levels of debt, increased operating expenses in the distribution segment, and increased property losses in Grocers Insurance Company.

In December, 1995, United acquired the assets and related business of the wholesale division of Bay Area Foods, Inc., doing business as Market Wholesale Grocery. Estimated annual revenues from the acquired operations are approximately $300 million.

In 1994, the increase in net sales and operations was primarily attributed to increased Cash & Carry unit volume, and increased equipment sales. These gains in sales were offset by lower premium income of the insurance segment. 1994 profit improvements were primarily due to increased profits from Cash & Carry and service income areas, and gains in insurance segment profits caused by improved loss experience. These gains in profits were offset by higher distribution segment operating expenses, increased member allowances paid, and operating losses in retail store operations.

Net Sales and Operations

During 1995, sales of the Company's distribution segment increased 6.5% to $997.0 million. The sales gain was primarily due to increased Cash & Carry and equipment sales unit volume, and sales from Rich and Rhine, Inc. Price changes during 1995 impacted warehouse sales by 2.8%.

Cash & Carry sales increased 15.0% to $206.3 million compared to $179.4 million in 1994. Sales at new units contributed 7.4% to the sales increase.

Sales at company-owned retail stores, which are primarily acquired as a result of store finance operations, decreased $3.7 million to $42.5 million. During the year, the company acquired three stores, and disposed of three stores. As a result, the number of company-owned retail stores remained at four stores.

In 1995, the insurance segment's net insurance premiums, commissions, and fees increased $4.0 million to $22.8 million. The increase was primarily attributed to increased policy volume, and earned lease insurance premiums.

During 1994, distribution segment sales increased 5.9% to $936.2 million. The sales gain was primarily attributed to increased unit volume. The insurance segment's net premiums, commissions, and fees decreased $1.7 million due to lower commissions earned by Grocers Insurance Agency.

Gross Operating Income

Gross operating income increased to $148.2 million (14.6% of sales) in 1995 from $137.5 million (14.4% of sales) in 1994, and $127.5 million (14.5%

of sales) in 1993. The increase in gross operating income was due to higher unit sales, gross margin improvements in Cash & Carry operations from centralized pricing controls, and higher insurance commissions, fees, and lease insurance premiums. These improvements were offset by higher property loss experience in Grocers Insurance Company, and lower retail store sales.

In 1995, loss and loss adjustment expenses were 74.7% of total premium income, compared to 64.7% and 83.3% in 1994 and 1993, respectively.

Operating, Selling, and Administrative Expenses

In 1995, operating, selling, and administrative expenses increased $8.3 million to $111.8 million (11.0% of sales). In 1994 and 1993, these expenses were $103.5 million (10.9% of sales), and $97.5 million (11.1% of sales), respectively. The components of these expenses are summarized below:

	Percent of Total Sales		
	1995	1994	1993
Salaries & Wages	6.1	6.0	6.3
Rents, Maintenance, and Repairs	1.7	1.7	1.6
Taxes, Other Than Income	0.8	0.9	0.9
Utilities, Supplies, & Services	1.1	1.6	1.5
Other Expenses	1.0	0.5	0.5
Provision for Doubtful Accounts	0.2	0.2	0.3
Total	11.0	10.9	11.1

During 1995, total operating, selling, and administrative expenses increased primarily due to higher unit volume in both the distribution and insurance segments, higher software expenses, and amortization of covenants not to compete and goodwill relating to recent acquisitions.

Insurance segment operating expenses decreased to 32.3% of segment net sales and operations. In 1994 and 1993, insurance segment operating expenses were 36.3% and 26.4% of segment net sales and operations, respectively.

Provision for doubtful accounts was $1.9 million (0.2% of sales) in 1995. This compares to $2.0 million (0.3% of sales) and $2.2 million (0.3% of sales) in 1994 and 1993, respectively.

Interest expense increased $3.6 million to $12.8 million (1.3% of sales) in 1995. This increase was due to higher levels of average debt, as well as higher average borrowing rates.

Member Allowances and Dividends

In 1995, total member allowances and dividends decreased 1.6% to $19.9 million (2.0% of sales). In 1994, total member allowances and dividends increased 9.9% to $20.2 million (2.1% of sales).

Total member allowances and dividends as a percent of member sales decreased to 2.84% in 1995, compared to 2.90% in 1994, and 2.75% in 1993.

Net Income and Income Taxes

In 1995, income before taxes was $2.2 million (0.2% of sales) compared to $2.6 million (0.3% of sales) and $2.3 million (0.3% of sales) in 1994 and 1993, respectively.

Net income after taxes was $1.4 million (0.1% of sales) in 1995, a decrease of $0.2 million from $1.6 million (0.2% of sales) and $1.7 million (0.2% of sales) in 1994 and 1993, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow From Operating Activities

In 1995, the Company used $14.9 million in cash in its operating activities. Increases in accounts receivable and inventories as a result of increased volume and acquisitions, and investments by the Company in its new information services platform were the major factors contributing to the use of cash in operations.

Cash Flow From Investing Activities

In 1995, the Company used $2.9 million in its investing activities, a decrease of $13.4 million from the $16.3 million used in 1994. Cash requirements of the Company's retail member finance activities were reduced in 1995 due to a $12.2 million increase in proceeds from the sale of member loans under its Note Purchase Agreement during the year. Purchases of property and equipment increased to $10.4 million from $5.3 million in 1994.

In fiscal year 1995, anticipated capital expenditures will approximate $5.0 million, representing $1.0 million in replacement assets, $2.0 million for new Cash & Carry units, and $2.0 million in continuing investments in upgraded operations software.

Cash Flow From Financing Activities

In 1995, the Company provided $17.8 million from its financing activities by increasing its levels of senior debt to fund its operations.

Capital Structure and Resources

The following table summarizes the Company's capital structure for the last two years:

	Year Ended			
	September 29, 1995		September 30, 1994	
	$000	%	$000	%
Average Short Term Borrowings	$42,632	20.6	$34,775	17.7
End of Year Amounts				
Senior Term Debt	$68,135	32.9	$67,597	34.4
Subordinated Debt	$53,844	26.0	$53,848	27.4
Equity	$42,357	20.5	$40,425	20.5
Total	206,968	100.0	$196,645	100.0

In 1995, the Company's capital structure shifted towards greater use of short-term borrowings, due to increased funding needs. The present components of the capital structure are within the Company's long-term targets for funding sources.

In 1995, the Company's working capital increased $7.2 million to $52.5 million. The Company's main sources of funds include earnings, member capital stock, capital investment notes, bank debt, private placement debt, and note purchase programs. As of September 29, 1995, the Company had $24.5 million in unused credit lines available. In addition, the Company had $8.4 million available under its Note Purchase Agreement.

The Company purchased the net assets of the wholesale operations of Bay Area Foods, Inc., on December 14, 1995, for approximately $21 million. Funding for the acquisition was provided by increased bank credit. The Company anticipates refinancing the additional bank credit with new senior debt or the securitization of eligible trade accounts receivable.

Grocers Insurance Company investments are held to support the payment of claims. These investments are not available to the Company to meet its capital needs due to restrictions imposed by insurance regulators regarding intercompany loans and advances.

In addition, state regulators require that Grocers Insurance Company maintain minimum amounts of capital and surplus. As a result of these regulatory requirements, $4.6 million of Grocers Insurance Company's equity may not be paid as dividends to the Company.

CONSENT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

We hereby consent to the incorporation by reference of (i) our report dated December 14, 1995, with respect to the financial statements of United Grocers, Inc., and (ii) our report dated December 14, 1995, with respect to the financial statement schedules, both of which are included in the annual report on Form 10-K of United Grocers, Inc., for the year ended September 29, 1995, into the prospectus constituting part of this Post-Effective Amendment No. 1 to Registration Statement on Form S-2 of United Grocers, Inc.

/s/ DeLap, White & Raish
DeLAP, WHITE & RAISH
Certified Public Accountants

Portland, Oregon
January 10, 1996

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints ALAN C. JONES and JOHN W. WHITE and each of them his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) on Form S-2 of United Grocers, Inc., Registration No. 33-57199 relating to its Series J Capital Investment Notes and to its Common Stock, $5 par value per share, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or each of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF this power of attorney has been signed by the following persons in the capacities indicated on November 8, 1995.

Signature	Title
/s/ Alan C. Jones Alan C. Jones	President, Secretary and Treasurer
/s/ John W. White John W. White	Vice President and Chief Financial Officer
/s/ Dennis Blasingame Dennis Blasingame	Director
/s/ Craig Danielson Craig Danielson	Director
/s/ James C. Vickers James C. Vickers	Director
/s/ David Neal David Neal	Director

/s/ Peter J. O'Neal Peter J. O'Neal	Director
/s/ Raymond L. Nidiffer Raymond L. Nidiffer	Director
/s/ Deano Ryan Deano Ryan	Director
/s/ Gordon Smith Gordon Smith	Director
/s/ Dick Leonard Dick Leonard	Director