

SECURITIES AND EXCHANGE COMMISSION

FORM 424B3

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FILER

UNITED GROCERS INC /OR/

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SIC: **5141** Groceries, general line

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UNITED GROCERS, INC.
(Portland, Oregon)

250,000 Shares
Common Stock, \$5 Par Value

\$19,600,000 Series H 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 5.5% per annum during the period December 16, 1993, to March 15, 1994, on all Notes outstanding at any time during that period. On March 16, 1994, 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 5.5% 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, 1994, 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.

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	Price to Public	Underwriting discounts and commissions	Proceeds to United
<S>	<C>	<C>	<C>
Per Share	\$57.00	None	\$57.00
Per Note	100%	None	100%

</TABLE>

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 February 1, 1994.

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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 in Washington, D.C., at 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 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 October 1, 1993, and (ii) the material under the captions "Board of Directors" and "Management" and the information on pages 2 through 20 of United's annual report to its security holders for the year ended October 1, 1993.

This prospectus is accompanied by a copy of United's 1993 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) 653-6330.

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.

United

The Company

United Grocers, Inc., 6433 S. E. Lake Road (Milwaukie, Oregon), Post Office Box 22187, Portland, Oregon 97269-2187; telephone (503) 653-6330.

Principal Business

A wholesale grocery distributor which operates as a cooperative. United sells groceries and related products at wholesale to approximately 363 independent retail grocery stores operated by its members in Oregon,

western Washington and northern 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 (\$57.00 per share, or \$11,400 for 200 shares, during 1994).

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."

Notes

Notes Offered	Series H 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 5.5% per annum during the period December 16, 1993, to March 15, 1994, on all Notes outstanding at any time during that period. On March 16, 1994, 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 5.5% 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, 1994, 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 October 1, 1993, was approximately \$75,281,000.

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 United States National Bank of Oregon.

See "Introduction" and "Description of Notes."

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Selected Financial Data

	Fiscal years ended				
	Oct. 1 1993	Oct. 2 1992	Sept. 27 1991	Sept. 28 1990	Sept. 30 1989
	(Dollars in thousands, except per share amounts)				
<S>	<C>	<C>	<C>	<C>	<C>
Income Statement<F1>:					
Net sales and operating revenues	\$876,985	\$896,587	\$882,878	\$873,685	\$796,768
Income before members' patronage dividends and income taxes	11,291	13,314	13,126	12,408	10,820
Patronage dividends	9,000	10,211	10,427	10,000	9,011
Net income<F2><F3>	1,714	2,723	1,712	1,394	1,262
Balance Sheet:					
Working capital<F4>	41,819	53,326	61,032	49,912	45,082
Total assets	280,600	261,289	249,205	218,143	200,489
Liabilities					
Current	132,067	113,759	112,256	101,179	97,044
Long-term	105,539	104,645	98,685	82,918	72,172
Members' equity	39,112	39,141	36,431	33,299	30,308
Adjusted book value per share<F5>	57.00	53.94	48.99	46.24	43.81
Ratio of adjusted income to fixed charges<F1><F6>	1.86	2.00	2.07	2.05	1.91

<FN>

<F1> 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").

<F2> 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.

<F3> In fiscal 1992, United changed its method of accounting for income taxes, resulting in a one-time increase in net income of \$526,314. See Note 7 to the Consolidated Financial Statements.

<F4> 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. See Note 1.e. to the Consolidated Financial Statements.

<F5> 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 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.

<F6> 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. Fixed charges consist of interest on all indebtedness and that portion of rentals considered to be the interest factor.
</FN>

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."

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INTRODUCTION

General. United is offering to sell 250,000 shares of its Membership Stock and \$19,600,000 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 October 1, 1993, 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 October 1, 1993, was \$57.00 per share. Thus, the offering price for 200 shares during calendar year 1994 is \$11,400.

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 5.5% per annum during the period December 16, 1993, to March 15, 1994, on all Notes outstanding at any time during that period. On March 16, 1994, 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 5.5% 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, 1994, 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 October 1, 1993, was approximately \$75,281,000 (consisting of approximately \$58,281,000 in unsubordinated long-term debt and approximately \$17,000,000 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 28 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 Gilbert A. Foster, H. Lawrence Montgomery, Marlin A. Smythe, Dennis Blasingame, Craig Danielson, James C. Vickers, David Neal, Peter J. O'Neal, and Arthur Thenell.

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 250 members operating a total of approximately 363 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:

<TABLE>

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	Fiscal years ended				
	Oct 1	Oct 2	Sept 27	Sept 28	Sept 30
	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Adjusted book value per share	\$57.00	\$53.94	\$48.99	\$46.24	\$43.81

</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 1993, the board decided to distribute 79.7% 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's 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 5.5%) 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: (1) 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 eighth 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, and July 6, 1992, between United and U. S. Bank (which indenture, as so supplemented, is herein referred to as the "Indenture"). First Trust 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 July 6, 1992. 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, of which \$19,600,000 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 October 1, 1993, 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; or (d) arising under any document creating an absolute or contingent obligation of United to purchase promissory notes and related documents from third parties; 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 & Raish, 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."