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UNITED SUPERMARKETS, L.L.C.
Notes to Financial Statements
(Dollars in thousands)

claimed or expected to be claimed on a tax return should be recorded in the financial statements. The tax benefit from an uncertain tax position may be recognized only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. The determination is based on the technical merits of the position and presumes that each uncertain tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment of the financial statements. The Company classifies interest, and, if applicable, penalties related to income tax liabilities as a component of income tax expense. During the eleven-month period ended December 28, 2013, the Company did not incur any interest and penalties. The Company is not subject to income tax examinations by the U.S. federal authorities for years prior to 2010 and state or local tax authorities for years prior to 2009.

The following is a summary of the significant components of the Company's net deferred tax asset and liability:

	Eleven-Month Period Ended December 28, 2013	Year Ended January 26, 2013
Current deferred taxes:		
Assets (liabilities):		
Accrued vacation	\$ 2,173	\$ 2,178
Texas franchise tax	342	941
Workers' injury and general liability insurance	723	795
Uniform capitalization adjustment	585	672
Nonqualified deferred compensation plans	1,006	641
Contribution carryover	630	528
Other	770	315
Volume discounts	(971)	(922)
Net current deferred tax asset	<u>5,258</u>	<u>5,148</u>
Noncurrent deferred taxes:		
Assets (liabilities):		
Capitalized leases	509	790
Postretirement benefit plan	1,658	4,364
Other	(206)	(275)
Property and equipment	(19,572)	(20,073)
Net noncurrent deferred tax liability	<u>(17,611)</u>	<u>(15,194)</u>
Total net deferred tax liability	<u>\$ (12,353)</u>	<u>\$ (10,046)</u>

Note 8. Commitments and Contingencies

The Company is a party to various legal proceedings and complaints arising in the ordinary course of business, some of which are covered by insurance. Management believes that claims or contingencies that are not covered by insurance are not material to the financial position or operations of the Company. Additionally, under the terms of its workers' injury and general liability insurance policies, the Company is liable for certain retrospective losses. The Company's liability for retrospective