

The
BartonGroup



PHASE NEXT

A FIVE-YEAR STRATEGIC PLAN

C O N F I D E N T I A L



TABLE OF CONTENTS

EXECUTIVE SUMMARY	6
THE COMPANY	10
MARKET ANALYSIS	18
COMPETITOR ANALYSIS	50
SWOT ANALYSIS	56
GROWTH STRATEGIES	58
KEY INITIATIVES	78
PROJECTED FINANCIAL RESULTS	92
DESIRED OUTCOMES	96
REFERENCES	100
APPENDICES	106
APPENDIX A - INDUSTRY FINANCIAL BENCHMARKS - 106	
APPENDIX B - MULTIFAMILY COMPETITORS LIST - 115	
APPENDIX C - TOP 50 U.S. FLOORING RETAILERS- 118	
APPENDIX D - NOTABLE CONSOLIDATION TRANSACTIONS (M & A ACTIVITY) - 120	
APPENDIX E - MULTIFAMILY JV PROJECTED FINANCIAL RESULTS - 126	
APPENDIX F - PRODUCT LINE EXTENSION (COUNTERTOP FABRICATION) PROJECTED FINANCIAL RESULTS - 131	
APPENDIX G - SHOP @ HOME PROJECTED FINANCIAL RESULTS - 136	
APPENDIX H - BUSINESS OPERATIONS & WAREHOUSE OPTIMIZATION ASSESSMENT - 141	
APPENDIX I - INITIAL IT VULNERABILITIES & RECOMMENDATIONS - 161	
APPENDIX J - HUMAN RESOURCES ASSESSMENT - 165	
APPENDIX K - 2024 RETAIL MARKETING PLAN - 171	
APPENDIX L - FIVE YEAR STRATEGIC INITIATIVES (COMBINED) PROJECTED FINANCIAL RESULTS - 184	

PH Consulting was retained by Jim Barton, Chief Executive Officer of J&R Sales, Inc. to assess Industry, Competitor, and Customer trends with the intention of producing a SWOT analysis of the company. In addition, the engagement specified defining business goals while articulating specific initiatives that required immediate attention. During the initial 12-month engagement, PH Consulting performed extensive market research and conducted multiple interviews with internal associates as well as key supply chain partners. The result of this broad, yet detailed examination is this hands-on, practically oriented, Strategic Plan developed and written to assist the managing members and staff as a directive in how to improve the performance of the business.

Fred Parker, of PH Consulting, who was engaged for this project, is intimately familiar with the necessary infrastructure required for such a high growth-minded organization. In addition to organizational optimization, his skillset also includes Branding & Positioning, Competitive Strategy, Customer Experience Management, Data Driven Decision Making, Executive /Strategic Oversight, and Marketing.

PH Consulting is a growth consulting and shared executive advisory firm based in Charlotte, NC. A special thanks to CliftonLarsonAllen (“CLA”) San Antonio, The Rosenblatt Law Firm and Risner Photography.

For more information on PH Consulting, please visit us online at: phbusinessconsulting.com

The Barton Group

In 2023, we celebrated our 35th year in business. We are grateful to have reached this milestone. We couldn't have done it without our team of more than 100 associates who have a combined total of 500+ years of industry experience. What an honor it is to see how far we have come together!

We live in a world where we build on our experience. Our success shapes our future goals. The path ahead reveals itself and we move forward. As we evolve, our business objectives deepen, our structure strengthens. We incorporate what we've learned to take the next step, to calculate the next risk, all for the next reward.

It is with great pride and enthusiasm that we announce the introduction of "**Phase Next**" - a five-year strategic plan which will ultimately define the future of J&R Sales. This is an exciting time of growth and development for our future, and we are thrilled to invite you on this journey with us.

Throughout this past year, several associates have participated in laying the foundation for a number of the initiatives laid out in this **Phase Next** plan. Ironically, when thinking about the future, I have found myself reflecting on the past. My father, Jay Barton, took a calculated risk back in 1988 when Joe Eisenberg offered him the opportunity to purchase the flooring division from Central Distributing.

The first principle in the book "Blue Ocean Strategy" is to reconstruct market boundaries, breaking from the competition thus creating "blue oceans" where new product demand is created and captured. Successfully identifying commercially compelling opportunities is essentially at the heart of **Phase Next**, giving us our next steps into a broad future.

Today, our company has opportunities to continue Jay's vision through researched and calculated strategy. Strategy will always involve both opportunity and risk. Dad knew that. In fact, he welcomed it. And knowing that duality has always been part of this company's history gives us the confidence to meet that risk with the great opportunity it will also offer.

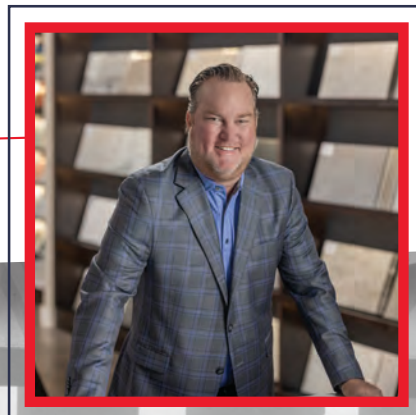
Expectations of management will rise to a new level. It is time to be proactive and intentionally drive growth. Creating value is paramount. My goal within this plan is to refine our processes, heighten expectations, and measure the performance of all associates, encouraging everyone to be the best version of themselves.

When companies shift into growth mode, it's adjustment for everyone, including the CEO. It is a challenge I believe we are well equipped for. I am committed to putting the company in a position that will allow us to thrive for the next 35 years. And I am excitedly, confidently, ready for this journey together.

With deep gratitude for all the work and commitment that has collectively brought us to this moment,



James Barton
Chief Executive Officer



*The secret of change is
to focus all of your energy
not on fighting the old,
BUT building the new.*

EXECUTIVE SUMMARY

THE COMPANY

The Barton Group, originally known as J&R Sales, was established in San Antonio, Texas in 1988 by partners Jay Barton and Reuben Villarreal as a wholesale flooring company. Barton eventually bought Villarreal out of his share of the company and began to focus on expanding the now family business in the commercial flooring industry. In 1994, J&R acquired Carpet, Remnants, & More in Pharr, Texas which led to further expansion throughout south Texas. As the company continued its growth path, in the late 90s, Barton brought in his son Jim who is now the CEO. Currently, the four (4) main divisions include Builder, Commercial, Multifamily, and Retail. In 2023, the company will exceed fifty (50+) million dollars in revenue. Most recently, the company has engaged PH Consulting to develop a strategic plan deemed **Phase Next** to drive the future growth of the company.

MARKET ANALYSIS

There is no doubt that there is a continuous demand for quality, affordable floor coverings through several channels. Breaking down the markets is a multi-level process as these channels can be examined as stand-alone and also have the possibility to impact one another. We were also interested in examining similar data in the stone fabrication market as that is a companion industry that is being pursued by The Barton Group. For the purposes of understanding where the market is currently, we have examined these distinct areas to inform our business going forward: Retailers, Home Builder, Multifamily and Stone Fabrication. Through each individual market type, we will use different lenses such as interest rates in the housing market, disposable income for private spending and home improvement, home builders in new construction all as factors in the market analysis. Also understanding one-off factors such as natural disasters is important as they can offer short term stimulation in one area (rentals) and then possibly other impacts later (rebuilding). When considering the stone fabrication market trends, we are encouraged by new technology and new achievable success factors that guide our decisions to contemplate this as a growing market to add to our offering.

COMPETITOR ANALYSIS

Although the company is a veteran in the floor covering industry, we take close examination of the competition to ensure that our growth plan is built with the understanding of what market share looks like today and where we fit into that model. Market share in this industry tends to be low due to high fragmentation because many players are rooted in their own regions rather than being larger national companies. The major player in floor coverings has 5.2% of the total industry revenue. Competition is typically based on factors such as location, price, quality and assortment of offerings. As we see how price can play a part, we also just as often see most companies willing to price match, so competition shifts to more choice categories like quality materials, industry knowledge of installation and maintenance as well as a company's investment in excellent customer service capital. As for stone fabrication, the potential to gain market share is large as most fabrication companies are very small and work on a local level.

GROWTH STRATEGIES

To be successful, we must be a market-driven company that diversifies our mix of revenue by differentiating our business opportunities. We will be intentional about reducing concentration within the Builder division while having a deliberate focus on expanding capacity in all divisions. The growth strategy will have four (4) components:

- Multi-Family Focused Joint Venture
- Product Line Extension
- Reimagine Retail (2X)
- Texas Footprint Expansion

With a plan for expansion concentrated on these components, we prioritize areas that will strengthen our foundation as a company. With a footing we can trust, growth can continue at a measured pace that allows for premeditated, reliable infrastructure that follows our carefully crafted vision for success.

KEY INITIATIVES

1. Recruit and onboard additional Human Capital
2. Improve and implement Internal Controls
3. Upgrade the IT infrastructure
4. Enhance Employee Relations
5. Refine Warehouse Operations
6. Reposition Branding + Refresh current Retail footprint
7. Become a data driven company
8. Move to more Performance based compensation; Enhanced benefits
9. Succession Planning (*that includes an employee development program*)
10. Create a Digital Asset Repository

PROJECTED FINANCIAL RESULTS

The company has recently developed a Monthly Management Financial Reporting Package to account for the various types of revenue that can be derived from the company's infrastructure. Additionally, investments have been made in corresponding Budgeting tools that inject financial discipline into the business. The financial projections have been built on realistic growth projections that align with data assembled from the leading industry specific consumer insights and market intelligence. The company's performance will be fueled by a combination of a product line extension and additional sales leadership. The company anticipates revenue to approach two hundred (\$200) million and produce EBITDA >10% by 2028.

DESIRED OUTCOMES

The implementation of the **Phase Next** strategic plan developed by PH Consulting for The Barton Group will result in a stronger organization poised for its future growth. With this document as a blueprint, the company can achieve a formal structure that begins by building an enhanced management team to support the goals for expansion. That team's focus would be creating a "best in class" backend operational structure that serves as the foundation for furtherance of objectives. This stability will allow for a path to becoming the undisputed "Employer of Choice" in the Floor Covering and Stone Fabrication Industry. Diversifying the product mix and offerings, refining business processes, and strengthening internal controls will decrease risks throughout the company. An emphasis on capacity expansion paired with net income growth will round out the platform for the company going forward.



With this document as a blueprint, the company can achieve a formal structure that begins by building an enhanced management team to support the goals for expansion.



THE COMPANY

Our Vision is to provide affordable, integrated home solutions that deliver quality products through strong commitment to industry expertise and superior customer relationships. Through curated product offerings with intentional synergies, we are the trustworthy partner for your Builder, Commercial, Multi-Family and Retail home needs.

Within this document, we will lay the foundation for The Barton Group's expanding home solution product offerings that build upon the company's original flooring products. This foundation begins with who we are as an organization.

Our Values are an essential guiding force that leads our growth and strengthens our culture as an organization. Our values are:

1. **Treat associates and customers like family**

We are committed to creating a warm, inviting atmosphere making our customers feel welcomed and our associates feel appreciated.

2. **Foster a team environment**

We are proud of having long-term management staff whose expertise supports and nurtures customer relationships, consistently delivering high performance.

3. **Welcome growth opportunities**

We are actively engaged in looking ahead at what can better us a company, and how we can expand and strengthen our offerings to partners and customers.

4. **Act ethically and with integrity**

We are, above all else, a company dedicated to listening responsibly and doing what will create success for our employees, customers, associates, and communities in which we work.

J&R Sales, Inc. was founded in February 1988 when Jay Barton took advantage of an opportunity offered to him when wholesaler Central Distributing Company was divesting from its then flooring division. Joe Eisenberg, President, offered Jay, who was their Sales Manager of Flooring, the rights to purchase its remaining inventory as well as rights to solicit its client list. The deal would not be made without significant effort as Jay needed to raise money for the purchase. Jay reached out to contacts within his personal and business network and was able to cobble the funds together through multiple loans while negotiating credit lines from suppliers. Jay and his new partner, Reuben Villarreal, immediately went to work selling the inventory they had just borrowed money to purchase. J&R Sales, Inc. was born out of a desire to build something of their own, both Jay and Reuben believing that with strong relationships, grit and hard work, their company could become an industry standout offering exceptional service and quality at an affordable price. J&R Sales, Inc., became successfully known in their industry as hard working, ethical, service-oriented experts in flooring. Jay's calculated risk in starting the business paired with his well-cared for relationships in the trade would prove to be a winning combination and the future was wide open.

Jay was always a person of deep determination. He was one of seven children who grew up in a blue-collar family in Louisville, KY. Jay was also an accomplished athlete. Although he was drafted to play baseball for the Cincinnati Reds, Jay chose to stay closer to home, continue his education and play basketball for legendary coach C.M. Newton at Transylvania University in Lexington, KY.

Jay's time at Transylvania certainly influenced his future path. He loved athletics but coming from a blue-collar family, he couldn't help but be intrigued by the affluent lifestyles he was witnessing around him. After he graduated, he had the opportunity to coach for Harrison County High School, but he felt like he was destined for bigger things, something more lucrative to allow him a lifestyle that he believed he could have with hard work.

Soon Jay was approached by a headhunter for Congoleum Nairn, a market leader in the vinyl floor business. He thought this could be an opportunity to learn a business, to be a part of something that could provide growth over time, to create a future like the one he was dreaming of. Once Jay received his offer (and accepted), he and his new wife Patty moved to Little Rock, Arkansas.

1113 E. HOUSTON STREET, SAN ANTONIO TX: ORIGINAL SITE OF CENTRAL DISTRIBUTING COMPANY. CURRENTLY HOME TO ALAMO CITY STUDIO





Jay Barton was an infectious personality, a man people were drawn to, a person that set people at ease, making it feel like you'd know him all your life. Just by way of who he was, he began to attract accolades while attending regional shows and national markets which soon led to an opportunity to run the flooring division for Central Distributing in September of 1970. Jay's reach in the industry continued to expand and for the next eighteen years, Jay and Patty raised their family in San Antonio, Texas.

Shortly after starting J&R Sales, Jay realized that his role and responsibilities had shifted from his previous role of being a salesperson to now that of a business operator. It was decided that Reuben, who Jay eventually bought out when the distribution model shifted, would continue to service customers and that Patty would step in and assume Jay's sales responsibilities, allowing Jay space to focus on the growth and health of the company.

Patty was a trailblazer. She embraced the challenge of breaking into the "good old boy" network as she was one of few women selling flooring in south Texas. She was a matriarch, a model for the company Jay was building: hardworking, can do attitude with an undercurrent of no fear. They believed in what could be achieved with this framework. Patty worked in the family business for over 20 years, wearing many different hats, eventually working in the office in an accounting role. They were approaching the future of their family business as a team. Jay was always coming up with new plans and always had Patty's support for whatever was next. Looking ahead, being flexible and prepared to pivot to meet demand and following industry standards would be important.

In the spring of 1994, J&R Sales, Inc. acquired Carpet, Remnants & More in Pharr, Texas, from Bob Burdett. The new company went to market by the name Carpet, Remnants, and Tile and this move marked the beginning of a decade long expansion project throughout south Texas. Jay later admitted that his primary reason for the acquisition was to acquire a cutting machine that he immediately moved to San Antonio however this expansion produced three markets in which the company still operates today: Laredo, McAllen, and Victoria.

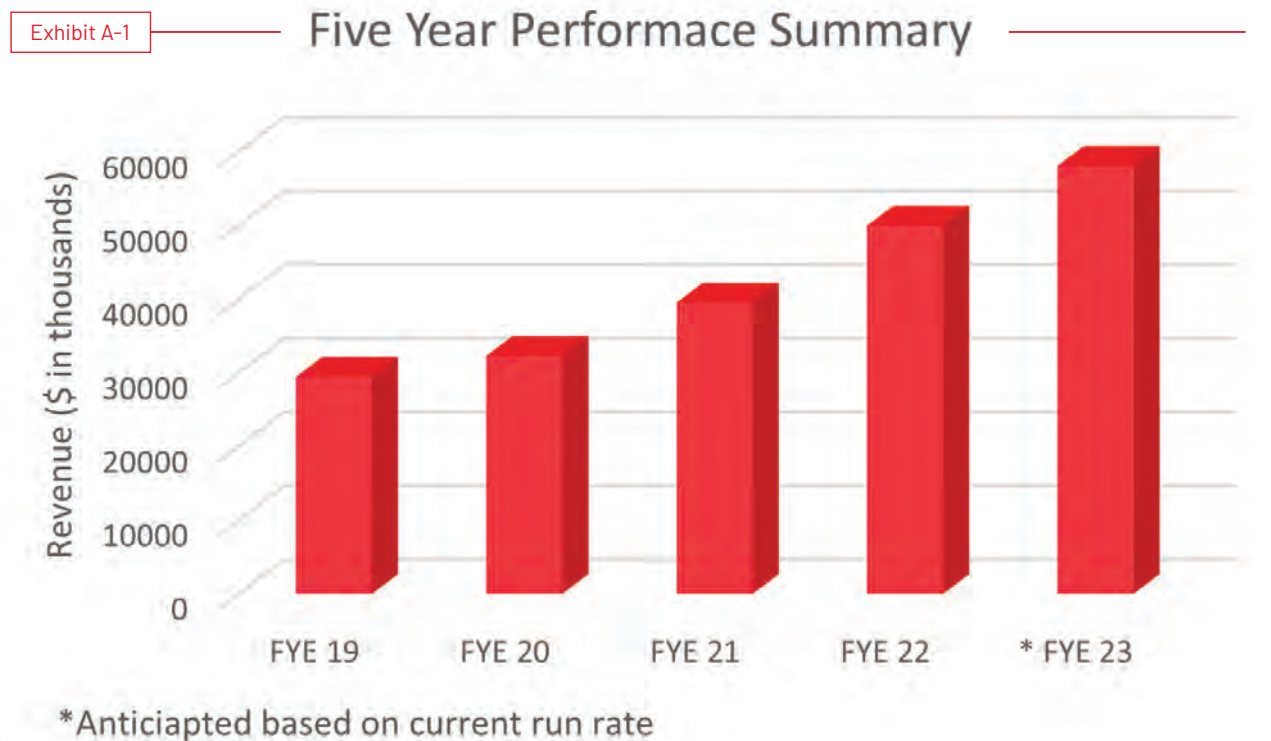
In September of 1995, the company made the most impactful decision to the current day by opening a Builder Division. Today, the Builder Division is responsible for greater than \$30 million in annual revenue for the company. And it continues to grow proving, again, a calculated risk would lead Jay in his determination, to success.

In 1997, Jay welcomed his son, Jim, into the family business. With Jim's added retail experience, the company opened a new showroom and retail presence in San Antonio, adding another aspect of diversifying the business. It was also at that time the company decided to refine its brand and shorten the name to CRT Flooring.

Over the next eighteen years, the company expanded its reach by opening a presence in Austin, Texas; Albuquerque, New Mexico; as well as Corpus Christi, Texas, all locations in which the company continues to hold a presence today. Furthermore, continuing Jay's vision for growth, CRT Flooring opened their Commercial Division in 2007. Diversifying into Commercial allowed an opportunity to create a strategic alliance with Costco, the world's most successful warehouse club, in which J&R has partnered with Costco since 2011 to service its members that are interested in flooring products.

Today, the company services 10 Costco warehouses in Texas and New Mexico in which Costco pushes sales leads to J&R for a free in-home flooring consultation. It is a vibrant partnership that has given CRT Flooring a new footing in direct to consumers markets.

The positive shifts in the company's business were witnessed by Jay as Jim took on the responsibility of the day to day operations over time. When Jay passed away in 2015, Jim had been working as a partner with his dad for many years and knew Jay was proud of the trajectory of the company's development and its future ahead. Present day, the company has experienced tremendous growth over the last five years (reference Exhibit A-1) while averaging greater than 15% annual growth. Remarkably, due to the current high interest rate environment, 2023 will mark the first time in the company's history that it will surpass \$50MM in revenue.



Management has credited its success to being a “hybrid” model. Jay laid the foundation to diversification through expanding the business offerings. Looking back on his father’s well-laid plan, Jim Barton describes CRT’s expansion as careful, deliberate and one of the key elements to sustained success to date. Jim acknowledges that most companies either stick to retail or focus on the builder market. “We have witnessed ups and downs in each segment of the business and our diversified approach has buoyed us during the varied trajectory of the market.” It should be noted that to align the company’s financial reporting with the hybrid approach, in addition to have the ability to implement financial analytics into the business, the company has invested throughout 2023 in customizing its financial reporting so that management can clearly and concisely report on each division as well as location(s).

Below is a list of the four primary Divisions that comprise the hybrid floor covering dealer:

- **Builder** – This refers to home construction companies that generally focus on the building of single-family homes (usually occupied by just one household or family and consisting of just one dwelling unit or suite).
- **Commercial** – Commercial construction involves building projects that can be leased or sold in the private sector. These spaces can be anything from offices and manufacturing plants to medical centers and retail shopping centers. Each commercial construction project varies in size and effort and is unique in its own way.
- **Multifamily** – This refers to construction companies that generally focus on the building of a residential building in which two or more families or tenants can live separately. Note: Multifamily is generally considered a commercial asset class yet the company recognizes it as a stand-alone class, like new home building. For most people in the Multifamily sphere, Commercial refers to retail and office.
- **Retail** – This refers to the part of the business devoted to retail activities. Typically, it has free public access with goods on display and manned by a sales staff but also includes shop at home sales. For clarity, the company’s sales from the strategic alliance with Costco are classified as retail sales.



The company goes to market with a combination of sales associates, along with executive representation (larger / “house” accounts) to service its clientele that provides a support model that includes Field Reps and a separate Warranty Team - both of which are key to driving growth with larger builders according to management.

- **Field Reps** – serve as an intermediary between the company and its clientele. The primary role is to inspect the quality of the installation process and provide overall project management for a geographical area. Typically, a Field Rep will be assigned an entire neighborhood (reference Exhibit A-2) for consistency purposes for each client.



- **Warranty Reps** – The company has offered a lifetime warranty on labor & installation since starting the Builder division. While this has integrated into all aspects of marketing for the Retail division, it also serves as a critical level of additional support for the other divisions while managing punch list deadlines to conclude projects.

The company currently operates nine leased facilities within seven markets. Its primary lending relationship is currently with Frost Bank which includes both asset-based lending along with multiple short-term debt instruments but realizes that the growth initiatives outlined in this strategic plan may generate the need to expand to multiple lenders based on service areas.

The company is on track to realizing its vision and we will maintain our focus to ensure we have:

- ✓ A reputable product or service that solves a real problem for real customers. Traction with a diverse or defensible mix of customers (i.e., a reliable client base you can nurture and grow).
- ✓ A strong and trustworthy management team committed to expertise to whom you can delegate.
- ✓ A plan for increasing the company's value over the next 5-plus years.

The commitment displayed to investing in this strategic plan is a tribute to what Jay and Patty started 35 years ago. Further, the effort also inspired management to embark on new relationships with counsel and accounting professionals which includes the first audit of the company's balance sheet.

Moving forward in constructing this plan, we look to what will be a high performing and sustainable strategy that will have successful longevity through value innovation. To address this, we have to know the answers to these questions: What we do well? What solutions are our customers looking for? What does our competition do well? What can we offer that our competition does not? Blue Ocean Strategy requires alignment of three main propositions: value, profits and people, which together, make imitation from competition very difficult. As we come into alignment, we are pursuing both differentiation and low cost, allowing our company to attract customers while creating a business model that is financially robust.

While the current "health report" is extremely positive; the company is aware that it has room for growth in several areas such as succession planning, executive leadership, and process improvement. PH Consulting focused on recommendations that must be actionable while creating a strategy that is sound and one that Management is committed to achieve. We are laying out our Key Initiatives as a roadmap to success for the team that will be in place to accomplish these goals in order to move the company forward.

As we turn our attention to 2024 and beyond, the company has made the decision to expand our corporate structure by forming a holding company ("parent") that will preside over multiple operating companies ("child"). The legal structure of such a holding company will be a Sub S Corporation with multiple Limited Liability Companies (LLC) underneath; some of which will be considered disregarded entities, with others being treated as a partnership. It has been decided that the name of such a holding company will be called **The Barton Group**. The main company logo evokes strong and professional tones on its own and when used as a byline, the palette is more flexible to relate to the family of brands, while always keeping the visual emphasis on the Barton family name (working examples pictured below). The current Sub S Corporation will be converted into an LLC and a disregarded entity for tax purposes.

The Barton Group



In addition, counsel has recommended we separate commercial vs. retail activity to optimize the structure for future flexibility. To accommodate the commercial clientele, a service company will be formed to allow for a single vendor approach as we seek to offer multiple services and establish a foundation with a goal to achieve a "Best in Class" back office which will allow each operating company to optimize its own profitability.

The Barton Group



The decision was made to move away from the name CRT Flooring Concepts. As we embrace the future of the company, it became evident that our branding would need to encompass our larger vision of a shifted identity. Our rebranding will hold true to our family business roots while defining our steps forward. We look forward to the reveal of the new entities in 2024.

We started as a small family business with a determined goal for a better future, a hope for securing a prominent place in this industry through hard work, integrity, and diversifying to meet demand. Through our growth, we haven't shifted from Jay's original aspirations and we maintain our values front of mind. The Barton Group brand builds a direct and trusting relationship with our customers and associates. We are committed to our team and providing the tools they need to be successful in delivering high performance every time. We invite opportunities to expand our solutions. The Barton Group is honored to continue the work that made Jay proud every day. It is in Jay's determined spirit that we step forward into the future with true confidence that each calculated risk is a success waiting to be embraced.





MARKET ANALYSIS

The following Market Analysis is a close examination of multiple parts of the industry which need to be intimately understood as the foundation to our strategic plan for growth for The Barton Group. Below is a comprehensive review of the facts, challenges, successes, and expectations for where the industry is coming from and a forecast of where it is headed. This investigation aids in creating calculated decisions about where to spend our energies in capital expansion while remaining competitive in positioning for advancement.

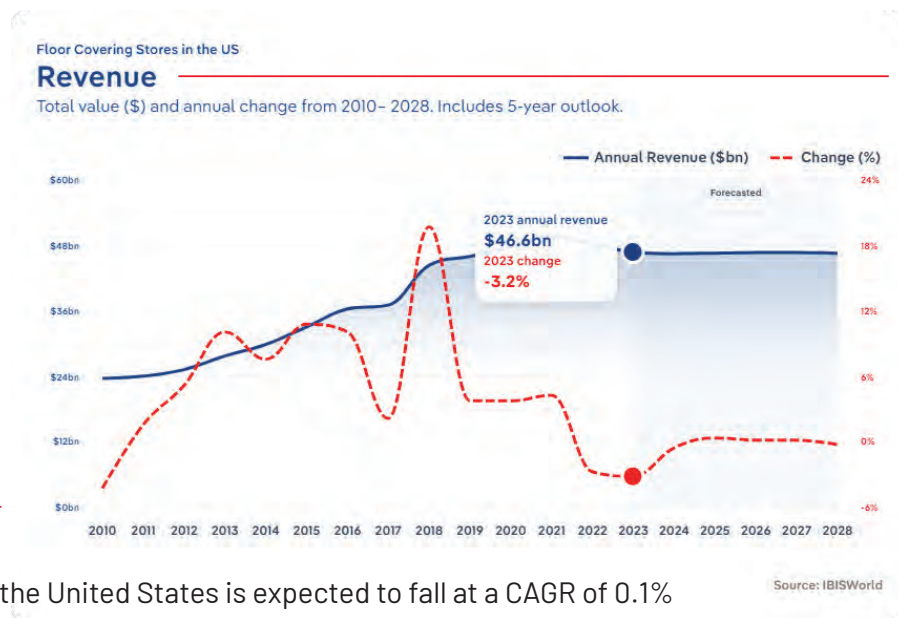
This Market Analysis will examine the areas The Barton Group is currently part of as well as the parts of the industry where we are planning expansion:

- Floor Covering Retailers
- Home Builders
- Remodeling
- Multi-Family
- Granite & Marble Retailers

FLOOR COVERING RETAILERS IN THE US

The floor covering industry is comprised of establishments that primarily resale carpet, tile, and vinyl flooring. Most operators manage sales and administrative activities, such as product merchandising, inventory control, and customer service while some operators also offer installation or repair services.

Exhibit B-1



Floor covering stores' revenue in the United States is expected to fall at a CAGR of 0.1% over the next five years, reaching an estimated \$46.4 billion in 2028. Profit margins are estimated to climb to 2.7% in the same year.

Nationwide, the primary culprit of the expected fall is rising interest rates:

- The two crucial downstream market indicators for floor covering retailers are residential and nonresidential.
- With interest rates anticipated to remain high, activity in residential and nonresidential markets will slow down considerably.
- With interest rates growing, financing a mortgage, borrowing money, and building a new office all become more costly to the consumer or business.

However, growing disposable income is expected to offset further declines:

- Another crucial indicator of demand is per capita disposable income levels.
- Many of the negative macroeconomic trends plaguing the consumer in the period are expected to diminish. As a result, per capita, disposable income is expected to grow.
- Although interest rates are set to limit downstream demand for most floor covering products, this jump in disposable income may push consumers to upgrade their current floor coverings for something of higher quality.

INTEREST RATES

After a year of higher mortgage rates, the U.S. housing market appears to be in transition. Even as home values suffered modest declines over the past twelve months, home affordability has emerged as a major issue due to a lack of inventory and increased borrowing costs. After an initial slowdown, new home construction has picked up in recent months, which may help alleviate inventory constraints.

The landscape for the housing market changed significantly after inflation's resurgence led the Federal Reserve (Fed) to dramatically raise interest rates. The Fed's actions, including hiking short-term rates from near 0% to more than 5.00%, are designed to slow the broader economy and lower inflation. The Fed's policy shift led mortgage rates higher, which increased monthly payments for home buyers. That often means housing is less affordable for new homebuyers. It also leads to resistance among existing homeowners to sell their property as it would require them to give up their current, low-interest-rate mortgage to finance another home purchase at higher rates.

The state of today's housing market illustrates how the changing interest rate environment appears to have multiple effects. As the affordability issue arose following the initial increase in mortgage rates, demand dampened and as a result, home prices dropped modestly from their peak in mid-2022. This price drop occurred even as the availability of new and existing homes appeared to fall short of demand. New home construction slowed as well due to higher financing costs for home builders, though recently, more promising signs for new home construction have emerged.

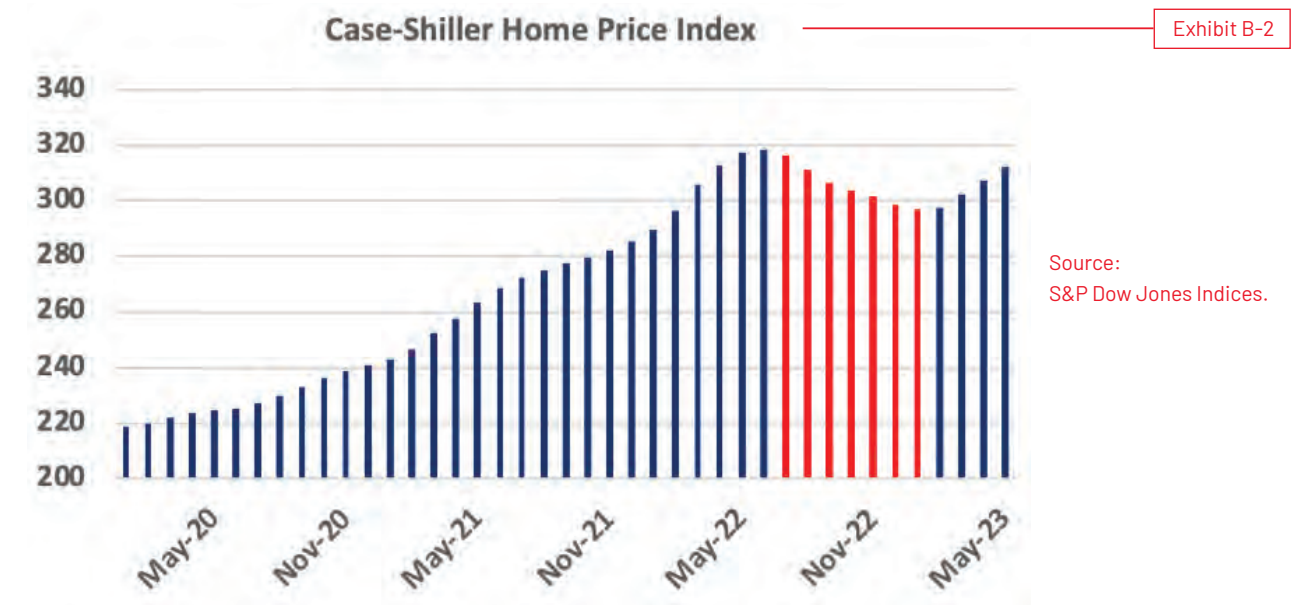
HOME VALUES START TO STABILIZE

Owning a home remains an integral aspect of the "American dream." Even though the housing market is subject to fluctuation in value, most homebuyers expect appreciation in property values over time.

Home prices, like those for any product or service, are driven in large part by supply and demand. Recently supply has lagged demand, particularly in certain markets across the country. Prior to 2022, this supply-demand imbalance, supported by low interest rates on home mortgages, pushed home prices higher.

“Consumers were in a strong position to buy or upgrade their homes,” says Rob Haworth, senior investment strategy director at U.S. Bank. “That raised the demand for houses. As COVID-19 first hit, we ran into supply shortages for materials such as lumber and concrete, and even labor shortages for construction workers and building inspectors.” Home prices skyrocketed through 2020, 2021 and the first half of 2022, particularly in some suburban areas, as homeowners looked for larger houses to accommodate changing lifestyles, including more work-from-home arrangements.

The environment quickly changed with the onset of the Fed’s new monetary policy in early 2022. By November 2022, the average 30-year mortgage rate topped 7% for the first time in more than 20 years. That dampened activity in the housing market, and as a result, average home prices in the U.S. began to decline. According to the S&P CoreLogic Case-Shiller 20-City Composite Home Price Index, home values started to fall in July 2022 for the first time in more than a decade. Following seven consecutive months of declines in home values, as reflected in the index, prices began to recover in February 2023 and continued their upward trend through May 2023.



Notably, from the beginning of 2020 until peaking in June of 2022, home values (as reflected by the Case-Shiller Index) rose 45%. “Some who track the housing market predicted that average home prices nationally could fall by 10-15%,” says Matt Schoeppner, senior economist at U.S. Bank. Yet at their low point in the current cycle, home prices (based on the Case-Shiller Index) were down 6.8%. As of May, the average home price is off just 2.1% from its June 2022 peak. “Homeowners still have significant home equity given the dramatic appreciation in values that occurred up until mid-2022,” says Schoeppner. Of course, price changes vary depending on location.

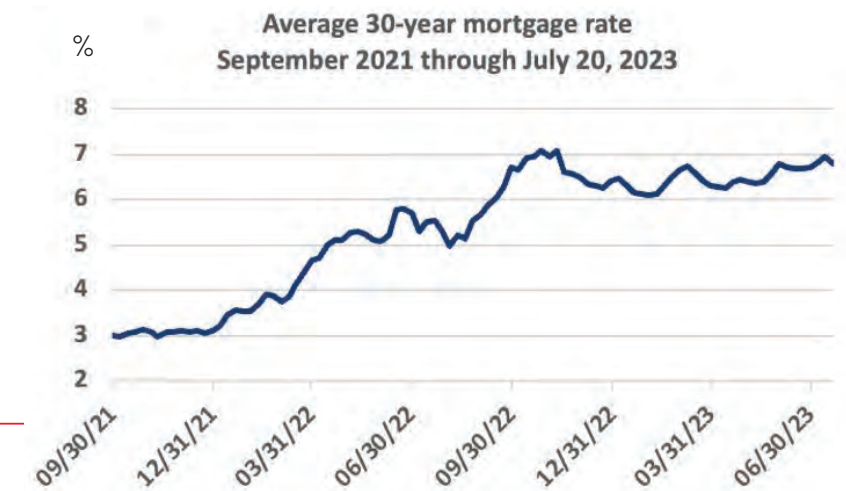
The housing market slowdown was also reflected in mortgage applications to finance new home purchases, which fell to a 28-year low in February 2023, though mortgage activity levels fluctuated up and down since that point. Mortgage applications rose in the first half of July but remained 32% lower than application activity at the same point a year ago. Despite uneven demand, home values may not face a precipitous loss of value, because of the limited inventory of homes on the market. Some existing homeowners appear reluctant to sell their current house, buy a different property and then borrow at today’s higher mortgage rates. “Even as the Fed tries to slow down housing demand to temper inflation, the result of today’s limited supply of available housing is that we may not see a significant deterioration in home values,” says Schoeppner.

According to a recently released study, 14 million homeowners refinanced their mortgages between the second quarter of 2020 and the end of 2021, before mortgage rates began to climb in 2022. With significantly higher mortgage rates persisting today, the report states that this “leaves homeowners somewhat disincentivized to sell or change properties.” The report notes that owners looking to sell their existing home and purchase another property “will face increased borrowing costs and higher (home) prices.”

Existing home sales experienced a brief resurgence, rising 14.5% in February 2023 compared to the previous month. However, existing home sales dropped again in three of the last four months, including a 3.3% decline in June 2023. Over the previous year, existing home sales activity declined 18.9%.

Mortgage rates remain high. After peaking in November 2022 at 7.08%, the average 30-year mortgage rate in the U.S. dropped to 6.09% in early February 2023, but moved modestly higher since, standing at 6.78% as of July 20, 2023. Higher mortgage rates make borrowing more costly, which can dampen housing market activity.

Exhibit B-3
Source: Federal Home Loan Mortgage Corporation (Freddie Mac).



Rising mortgage rates and stabilized home prices make affordability more of an issue for those trying to enter the housing market. According to the National Association of Realtors, the average monthly mortgage (based on average 30-year mortgage rates and home prices) rose 80% in the past 18 months, from \$1,212 in January 2022 to \$2,174 in January 2023. “It creates a meaningful headwind for new homebuyers,” says Haworth. “They either need to be able to make a bigger down payment or they must earmark more of their monthly budget for housing costs.”

NEW HOME CONSTRUCTION REBOUNDS

For a time, higher financing costs created barriers to builders, potentially dampening the supply of new construction. Housing starts declined significantly in later 2022 and early 2023, but this market, too, seems to be adjusting to the new interest rate environment. In June 2023, new privately-owned housing starts surged to a seasonally adjusted annual rate of 1.440 million. "Homebuilders have adjusted to higher costs," says Haworth. "Based on the data, it appears they are increasingly confident in finding sufficient labor and supplies to get new homes built." Haworth also notes that more new homebuyers are finding better opportunities in the new construction market rather than among existing homes.

"In June 2023, new privately-owned housing starts surged to a seasonally adjusted annual rate of 1.440 million."

Even with the home price slide subsiding and mortgage rates remaining elevated, Haworth says market demand remains strong. "There's ample evidence that, armed with wage increases and a solid job market, home buyers are beginning to come back into this market, reflecting their persistently strong desire for home ownership." Haworth says the recent emergence of more favorable sales and homebuilding data could be a signal of what's to come in the housing market. "Even with higher mortgage rates, it appears we've found a new and acceptable place for housing market transactions to occur."

Yet market improvement could be gradual. "Some potential new homebuyers may delay home purchasing plans for a year or two and decide to rent instead," says Schoeppner. "The tailwind of millennial-driven demand will likely return once we get past this 'temporary' blip."

Haworth says that millennials may represent the last sizable generational cohort to move into the home ownership market. "We're not expecting large waves of new homebuyers beyond that, based on current demographic trends," says Haworth. "Given expectations for future generations, the prospects are that housing demand will ultimately stabilize, with immigration trends determining whether demand swings higher or remains steadier." Haworth notes that in the meantime, the market is not keeping pace with demographic demand driven by new household formation.

IMPACT ON THE REAL ESTATE INVESTMENT MARKET

For those looking to add diversification by including real estate in their portfolios, a commonly used vehicle is a real estate investment trust (REIT). As interest rates rose beginning in early 2022, however, REITs faced a challenge.

"Real estate as an asset class was one of the first to be repriced lower in reaction to higher interest rates," says Tom Hainlin, national investment strategist at U.S. Bank. "Although REITs are often considered a way to hedge the risk of higher inflation, the unfavorable interest rate environment resulted in REITs underperforming other parts of the equity market. Improved yields on U.S. Treasury securities create cash

flows that look much more attractive in today's market, when compared to REITs." As a result, demand for REITs has fallen, at least in the near term. For the 12-month period ending in June, the S&P Developed REIT Index returned -2.04%, compared to a return of 19.59% for the S&P 500, a benchmark measure of U.S. stock market performance.

Haworth points out that results vary depending on the category of REIT. "Underlying demand in specific segments of the market influence REIT performance," says Haworth. "There's still steady demand for apartments, the market is softer for office properties, and the retail market remains weak, an environment that's existed since the pandemic began." Haworth also notes that, as is often the case with real estate, location affects property values. "For example, demand for apartments is strongest in suburban areas, a clear pandemic-driven trend, whereas urban properties face lower demand."

A silver lining for REIT investors, according to Haworth, is that a significant price correction has already occurred. "REIT prices have already corrected much more quickly than is the case in the direct real estate market," says Haworth. "But that doesn't mean the REIT market is ready to recover. If interest rates remain high, this dynamic will continue to create headwinds for REITs."



KEY EXTERNAL DRIVERS

- **Housing Starts:** With floor covering necessary for all new homes, housing represents a considerable share of the Floor Covering Stores industry's market. Therefore, a rise in the number of housing starts in the United States typically leads to higher demand for industry goods. The number of housing starts is expected to fall in 2023, posing a potential threat to the industry.
- **Per capita disposable income:** Per capita disposable income indicates how much income people have after accounting for necessities. Since floor coverings are a discretionary expense, products are highly dependent on how much extra money people have. Per capita disposable income is expected to increase slightly in 2023, representing a potential opportunity for the industry.
- **Consumer Confidence index:** The Consumer Confidence Index measures the level of optimism toward economic conditions, including the unemployment rate, economic growth and inflation. When perceptions of the economy are positive, households will spend freely on big-ticket projects, including home renovations. Conversely, low consumer confidence within the economy causes consumers to delay these projects until the economy returns to growth. The Consumer Confidence Index is expected to decrease in 2023.
- **Private spending on home improvements:** This industry is sensitive to the value of private investments in residential improvements and repairs since reflooring activities are most often conducted during home renovations and remodeling. Therefore, demand for floor covering rises in line with the amount of private spending that households and investors make on home improvement. Private spending on home improvements is expected to decrease in 2023.
- **Value of private nonresidential construction:** The value of private nonresidential construction refers to investment in office buildings, hospitals, factories, schools, power plants and other nonresidential structures. It typically follows the same patterns as the economy but with a lag of one to two years. The growth in nonresidential construction investment positively affects this industry. Following the outbreak of the COVID-19 (coronavirus) pandemic in 2020, the value of private nonresidential construction is expected to decrease in 2023.

HOUSING STARTS

Nationwide the housing market is expected to cool down over the five years to 2028. Housing starts are expected to increase at an annualized rate of 1.3%, as the economy normalizes from the coronavirus pandemic, a recession and high inflation. However, interest rate hikes will continue to drive up the 30-year mortgage rate, thus posing a potential threat to new homeowners' purchasing power. As consumers are not able to secure as accommodative of borrowing agreements for the financing of new homes, housing starts are expected to slow toward the end of the outlook period when interest rates increase. Nonetheless, housing starts are expected to rise during the first half of the outlook period, as a relatively low housing stock boosts demand for new housing construction.



Note: This driver measures the number of new, privately owned housing units started in a given year. This includes both single-family and multi-family developments. The data is sourced from the US Census Bureau and is the sum of unadjusted monthly data.

The real estate market is well-known for its boom-and-bust cycles. Housing starts are an integral part of this cyclicity, and thus, display a moderate to high level of volatility. Housing starts and the real estate market more broadly are responsive to factors that affect demand for new units. This includes employment and income levels, access to credit, population growth, construction costs, tastes toward renting and homeownership, house prices and future price expectations. PH Consulting anticipates this degree of volatility to persist in the future.

PER CAPITA DISPOSABLE INCOME

The financial meltdown and recession in 2008 reversed a 17-year streak of growth in disposable incomes. The primary drag on income was felt by millions of Americans who lost their jobs or were unable to join the workforce for the first time. Job losses started in the financial sector, but quickly spread from Wall Street to Main Street as credit tightened and businesses saw demand wither in the face of uncertainty. The national unemployment rate climbed from 4.6% in 2007 to 9.6% in early 2010, crippling spending power across the United States and through all income brackets. Even Americans who retained their jobs were afflicted by stagnant wages, furloughs and diminished nest eggs. Given the possibility of an even bleaker future, individuals increased their savings rate from 3.2% in 2005 to 6.1% in 2009, reducing the amount available for purchasing goods or services.

The effect of job losses and higher savings were partially offset by a larger safety net, with government assistance programs extended and expanded to unprecedented levels. However, these programs could only partially negate the effect of the economic collapse, with per capita disposable income slipping by 1.0% in 2009, but conditions stabilized in 2010. Firstly, corporate profit surged, generating profit for owners and restoring battered stock portfolios. This eased pressure on businesses to keep wage costs down and boosted consumer sentiment, leading to both higher earned incomes and a receding savings rate. Consequently, per capita disposable income increased 1.2% in 2010. These initial signs of recovery were expected to make further gains in 2011 and 2012, paving the way for a more robust rebound. However, the rebound was limited by unrelenting unemployment, a housing market trapped in the doldrums and public debt, both domestically and abroad. Consequently, disposable income growth remained weak.

In 2013, per capita disposable income declined 2.0%, which can be partly attributed to new tax regulations implemented that year. In particular, during 2013, many businesses experienced a payroll tax hike due to the Affordable Care Act resulting in an additional Medicare tax. While the Medicare tax only applies to individuals in specific tax brackets, it still cut into per capita disposable income for these aforementioned demographics. Moreover, the cap on earnings subject to the Social Security payroll tax increased that year.

In recent years, as labor markets have tightened, wages have been pushed up. This has supported greater income levels for individuals; however, gains have not been distributed evenly. Moreover, recent policy agendas focused on minimum wages have increased disposable income levels. In 2019, per capita disposable income grew 1.7%. While wage growth has lagged behind employment gains in terms of average wages, there was upward pressure in 2019.

Per capita disposable income levels initially declined in 2020 as a result of the COVID-19 (coronavirus) pandemic and ensuing economic fallout. In response, accommodative fiscal policy in the form of direct stimulus payments and tax breaks resulted in disposable income increasing 5.8% over the year. This recovery has been somewhat sporadic, with disposable income increasing as much as 28.2% in March 2021, while decreasing as much as 10.1% in January 2022. Overall, while economic recovery has been strong, surging inflation and a tightening monetary policy have stressed levels.

Following the Federal Reserve's decision to aggressively raise benchmark interest rates multiple times during 2022 and 2023, a tighter policy has affected budgets and decreased disposable income. After the ending of government stimulus, per capita disposable income decreased 6.6% during 2022 alone. Though recession concerns linger, a resilient job market continues to push back expectations on when it may potentially hit. Until inflation eases however, the cost of living will continue to be high, affecting disposable income levels. These factors are expected to limit increases, as per capita disposable income levels are only anticipated to rise 3.2% during the year.

PH Consulting expects economic indicators that drive disposable income levels to steadily strengthen over the five years to 2028, following expected decreases in inflation levels and supply constraints. Following an expected market correction and recession during 2023, disinflationary pressures in 2024 will lead to the Federal Reserve easing its tightening efforts. Though global factors, such as the ongoing conflict in Ukraine and the current war in Israel may still negatively influence the US economy, the normalization of energy and food prices will reduce the cost of living for individuals moving forward. Overall, per capita disposable income is anticipated to increase at an annualized rate of 0.9% over the five years to 2028.

CONSUMER CONFIDENCE INDEX

The Consumer Confidence Index was in the doldrums ever since the dot-com bubble burst; however, the index fell further starting in late 2007 before plunging precipitously in 2008. The sharp drop was triggered by the collapse of two stalwarts of the financial sector, Bear Stearns and Lehman Brothers, which revealed an unexpected weakness in the US economy and a bubble in the housing market. Consumer confidence deteriorated as Americans had their retirement accounts and savings crushed by plunging asset values.

Expectations for the future remained bleak by early 2009, with soaring unemployment dampening optimism across the nation. In the second half of 2009, a stabilizing housing market and stock prices regaining some of the ground lost during the collapse led consumer confidence to turn the corner. This trend of improving consumer confidence persisted through 2010 as the economy regained traction and companies reported renewed profitability, resulting in a 20.0% higher average in the Consumer Confidence Index compared with 2009. Moreover, the strength in consumer confidence in recent years has been encouraging. In the larger historical context, as the S&P 500 grew over the year, the Consumer Confidence Index has grown significantly, hitting its highest levels since prior to the dot com bust. However, confidence waned in 2019 as trade tensions increased and economic uncertainty increased as fears of an impending recession increased.

Consumer confidence decreased 21.1% in 2020 as a direct result of the COVID-19 (coronavirus) pandemic. The material effects remained largely uncertain over most of the year, which were slightly mitigated by vaccine rollouts and immunization mandates. Recovery accelerated in line with vaccination rates and business reopening in 2021, leading consumer confidence to increase 10.8% that year alone. However, the pace of this recovery has brought inflation pressures into focus. Across the United States, many consumers have experienced increased costs of living, especially among more volatile items, such as fuel prices. As a result, the Federal Reserve initiated a quantitative tightening policy during 2022 into 2023, which has had ripple effects into business sentiment, employment and debt service.



As a result of lingering economic concerns, consumer confidence decreased 7.0% during 2022. According to Reuters, a decline in confidence has been especially concentrated in lower-income households, which have been especially affected by higher grocery and gas prices. In a Fannie Mae survey posted by CNBC, consumer confidence relating to housing also revealed that only 16.0% of respondents thought that it was a favorable time to buy during 2022. Though growth in the labor market has helped to minimize this decline in confidence, the Federal Reserve's continued aggressive interest rate hikes have stressed consumers. To counter inflation and US labor market imbalances, the Federal Reserve has continued to raise rates into 2023, which has stressed budgets for individuals and companies. Due to regional bank collapse news and the Federal Reserve's decision to continue raising interest rates, consumer confidence is forecast to remain low in 2023, declining a further 4.7% during the year.

Exhibit B-5



Over the five years to 2028, PH Consulting expects consumer confidence to fluctuate in stride with the economy and employment. In 2024, the Federal Reserve is expected to ease tightening initiatives, as inflation begins to fall. As a result of this policy, confidence will return as job growth and unemployment levels improve. Though uncertainty may potentially remain throughout the global economy, due to the ongoing conflict in Ukraine and current war in Israel, stable domestic prices and job levels will enable consumer confidence to rise over the next five years. Overall, the Consumer Confidence Index is expected to rise at an annualized rate of 4.7% over the five years to 2028 to reach an index value of 124.9.

PRIVATE SPENDING ON HOME IMPROVEMENTS

While spending on home improvements displays a low to moderate level of volatility, this characteristic did not make it immune from the boom and bust of the US housing market. Quickly rising home prices and low interest rates provided many Americans with billions in home equity that could be inexpensively cashed out. Holding the belief that prices would continue to rise and the cost of any upgrade would be recouped, likely with a profit, homeowners across the nation poured equity back into their homes. Consequently, spending on improvements rose steadily between 1995 and 2005. However, the pace of growth was slower than new construction because many homeowners chose to upgrade to newer and

larger residences entirely, rather than make incremental improvements on existing units. Over the next five years. Overall, the Consumer Confidence Index is expected to rise at an annualized rate of 4.7% over the five years to 2028 to reach an index value of 124.9.

But as the realization that housing prices could not rise forever became widespread in 2006, spending on upgrades and improvements stalled. Weakness in the housing market spread first to the financial sector and then to the remainder of the economy. This set off a chain of negative feedback, starting with tighter lending standards, followed by layoffs leaving fewer homeowners with the ability to pay for renovations. Furthermore, with falling home values and a greater proportion of poorly qualified homeowners unable to pay their mortgages, many simply had no incentive to put money into a property that now belonged to the bank. Lastly, spending on improvements was weakened by lower transaction volume, as a significant proportion of money spent on renovations is done by new owners to customize units to their specific preferences. However, these negative trends were partially offset by the fact that some homeowners, resigned to keep their residence given the unfavorable selling conditions, chose to capitalize on inexpensive construction rates and upgrade their homes.

Since the US economy generally stabilized in 2011, private spending on home improvements grew 2.4% the following year in 2012. This represented the first year of home improvement growth since 2006, when investment increased 0.2%. With the gradual economic recovery, private spending on home improvements has grown moderately over the past five years. This growth is primarily a result of rising home prices, which encourages homeowners to undertake renovation projects to further boost the selling price of their homes. This trend continued for a majority of the five years to 2023.

Despite the onset of the COVID-19 (coronavirus) pandemic in 2020, private spending on home improvements continued to rise. This came primarily as a result of relatively low interest rates and social distancing guidelines, which increased demand for new housing construction, existing home sales and time spent by consumers at home. Thus, with increased time spent at home and consumers flush with cash, for those still employed during the downturn, private spending on home improvements became an outlet. As the Federal Reserve aggressively increased interest rates to curb surging inflation during 2022, home improvement spending was significantly affected, declining 9.8% during the year due to rising costs. As inflation lingers into 2023, spending growth has been halted, leading to minimal growth during the year. Overall, private spending on home improvements is forecast to increase an annualized 0.1% over the five years to 2023.

Steady activity in the housing construction market is expected to return over the five years to 2028. Rising disposable incomes and the forecasted decline in unemployment are expected to continue to place money back in homeowners' pockets and drive stronger investment in homes. Furthermore, rising home prices and greater sales of existing homes are expected to support demand for renovations just as they magnified the downturn. Growth in private spending on home improvements is expected to expand, rebounding from the end of the previous five-year period, when per capita disposable income and consumer spending fell. Private spending on home improvements is expected to expand more organically over the next five years, as construction activity is expected to slow down amid increased volatility in financial markets. Overall, private spending on home improvements is expected to decrease at an annualized rate of 0.8% to reach \$220.0 billion over the five years to 2028.

VALUE OF PRIVATE NONRESIDENTIAL CONSTRUCTION

Nonresidential construction typically follows the same patterns as residential construction and the economy, but with a lag of one to two years. The lag is partially attributable to the long lead time associated with the more significant projects in nonresidential construction, including factories and office buildings. In contrast, housing projects are completed more quickly and due to this, the effects of a poor macroeconomic landscape take effect sooner. This occurred during the dot-com boom, as residential investment slowed between 1998 and 2000, but nonresidential investment only stumbled in 2000. Similarly, nonresidential construction remained in the doldrums until 2006, by which point housing construction had already passed the height of its bubble and begun its rapid decline.

Consistently with this pattern, the value of private nonresidential construction did not start rapidly declining until 2009. Yet, contrary to the historical lag model, private nonresidential construction returned to growth in 2011, one year before the broad-based recovery in residential construction. The most robust growth came from retail, other commercial, private educational and private healthcare facilities. Expansion continued in 2012, rising 13.0%, resulting from continued low-interest rates encouraging borrowing. Despite relatively slow growth in 2013, the value of private nonresidential construction grew a robust 10.9% in 2014. Yet, in 2015, the value of private nonresidential construction declined by 0.9%. The contraction in nonresidential construction investment in 2015 can be attributed to a myriad of trends, including lower investment from the energy sector in response to turmoil associated with the collapse of commodity prices and business wariness of potential changes to monetary policy. The value of private nonresidential investment declined an additional 4.3% in 2016 as commodity prices bottomed out and uncertainty surrounding major political events like Brexit and the US presidential election.

In 2017, nonresidential spending began to recover. Spending was supported by a slightly more robust outlook for commodity prices and new technology investments to take advantage of persistently low prices. While nonresidential investment continued growing in 2018, investment growth slumped in 2019 as slowing global growth and concerns regarding monetary policy and geopolitical tensions with countries like China weighed on investment. Nonetheless, despite interest rates declining to near zero, a widespread slowdown in economic activity stemming from the COVID-19 (coronavirus) pandemic significantly slowed nonresidential construction because of reduced global demand for goods and uncertainty regarding the business environment. Structural shifts in appetite for nonresidential structure investment have also occurred with many individuals at the time having to work from home to avoid contact with the virus. Due to this, demand for nonresidential buildings, which includes office buildings, decreased in the year, inclining 10.1%, the highest drop for the value of nonresidential construction since 2010.

While the economic landscape improved in 2021, investments continued to decline in 2021 amid continuing work-from-home policies which disincentivize the need for more office spaces, while rising costs for essential commodities and a gradual reopening of the economy tempered the need for more buildings. As these costs remain high, nonresidential investments will be tempered as consumers start to pull back on making more significant investments. However, even with these trends, continued investments by the government in various public projects as part of various legislation passed in the previous periods like the Infrastructure Jobs and Act in 2021 are set to keep nonresidential investments up in the period as these projects are protected by the budgets previously allocated and approved for them. While consumer activity remains subject to change pending news in the economic landscape, investments to build up more projects to capture continued consumer activity, especially with the expectation that the economy will bounce back in future periods will keep nonresidential projects by companies in growing industries up in the year. In turn, nonresidential investments are set to be boosted by 1.9% in 2023.

The eventual recovery from inflationary pressures and recessionary concerns will boost investment, with nonresidential structures to be updated or built to match shifting manufacturing activity and other reshoring operations. Nonetheless, nonresidential construction tends to lag the overall economy in times of recovery. The translation of increased corporate profit to new spending typically lags as nonresidential projects require extensive planning before breaking ground, which will be a tempering factor for potential growth in the long term. But various trends suggest that nonresidential investment will bounce back up again.



As many manufacturers are beginning to realize that domestic production can effectively compete with offshore locations, some producers are now developing plans to bring capital-intensive production back to the United States, bolstering demand for private nonresidential construction over the next five years. Recent disputes with China exacerbated this trend, resulting in actions taken against the country like tariffs, sanctions and legislation like the Uyghur Forced Labor Prevention Act signed in 2021 by President Biden. These factors, along with the international decoupling from Russia amid its war on Ukraine have shifted reliance on these countries to provide essential commodities like crude oil, to other countries like the US. The passage of the CHIPS Act in 2022 helps realize these goals of increasing domestic production by boosting investments in semiconductor manufacturers based in the United States, providing an avenue of growth for this sector in terms of more domesticated manufacturing plants in the future. Coupled with rising consumer demand, aided by per capita disposable income setting to grow in the period, domestic companies are set to strengthen their presence to capture much of this growth in the form of increased production, which helps fuel demand for nonresidential construction. But a factor that pressures markets is the onset of work-from-home policies, which have gutted commercial real estate in the current period, hurting the need for more office buildings for white-collar jobs in the period, especially as the continued adoption of automation in various lines of work culls the need for fewer buildings to handle more people, which is set to play a tempering factor in the period.

However, international competition from markets based in Southeast Asia like Vietnam and Thailand in terms of manufacturing is set to leave companies pressured in the period to effectively compete domestically, which raises the risk of continued offshoring to other countries even as decoupling from China and Russia has suggested otherwise, leaving more volatility in the value of nonresidential construction in the outlook period.



Exhibit B-6

WAGES

In 2023, wages are anticipated to make up 14.4% of total revenue. Overall growth and activity during the period have kept wages relatively high despite shrinking profits. Most of the operations in floor covering stores require employees to merchandise, warehouse products, and maintain the store.

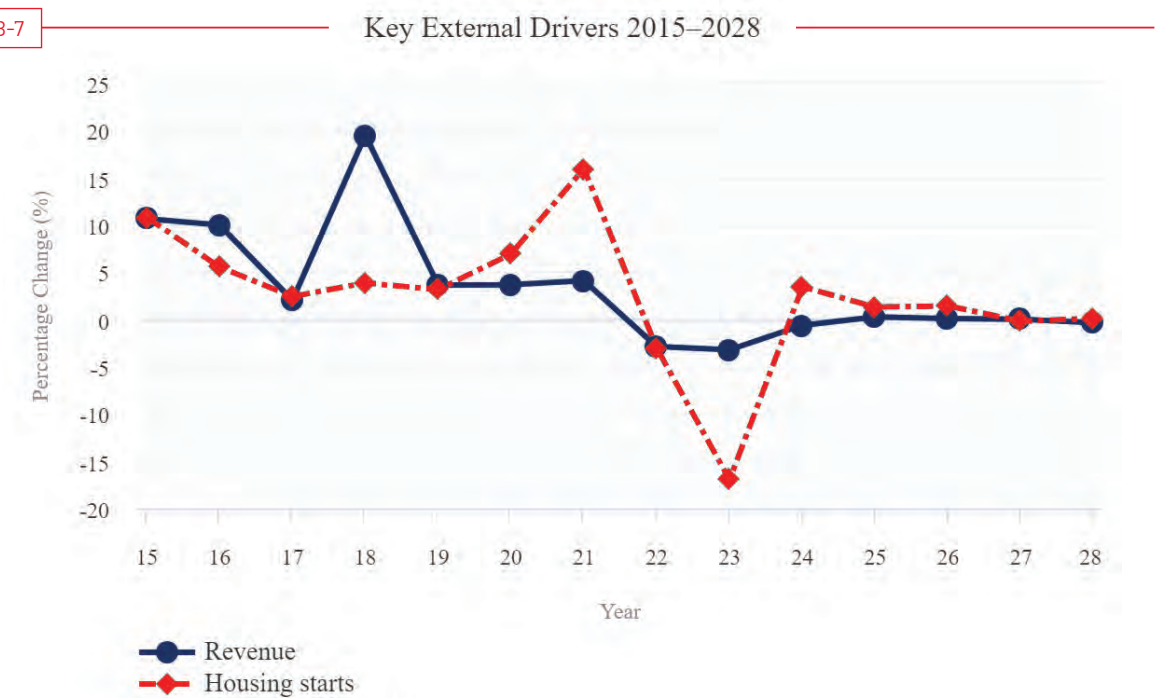
CONSOLIDATION

There is little concentration within the industry itself. However, home improvement stores like Home Depot and Lowes are constantly expanding. The largest threat for floor covering stores is the encroachment of big-box home improvement stores. These stores have nationwide dominance and are a one-stop shop for most home improvement needs. In addition to the large selection and presence of these stores, they also offer a fleet of experts who can install new flooring. Our company follows this same model of sale plus install that the big box stores offer.

KEY SUCCESS FACTORS

- **Secure a highly skilled workforce:** Customer satisfaction depends on the technical assistance that employees can provide. This category includes knowledge that is not widely known and is unique to renovating or purchasing flooring, including differences in designs and materials used.
- **Having good working relationships with subcontracting building trade specialists:** It is essential for owners to have good relationships with subcontractors, so that the customer's floor coverings are laid correctly.
- **Control inventory:** Stock control is required to keep costs down and meet demand. Correct inventory management will ensure that popular flooring designs and materials are provided. Trends will likely follow trade shows, home magazines and home renovation.
- **Proximity to key markets:** Stores are best located where the population is dense and building activity is strong. This combination occurs in popular shopping strips or near home renovation centers that have easy access and available parking.
- **Ensuring pricing policy is appropriate:** This industry is very price competitive. The market's saturated and crowded nature means that many small retailers will fight for the consumer's dollar. Price-competitive retailers will likely attract more store traffic.

Exhibit B-7



SUMMARY

Floor-covering stores derive their demand from two massive downstream markets. Residential and nonresidential markets play a pivotal role in the growth of floor covering stores. Over the past five years, the COVID-19 pandemic hit the nonresidential market hard, as businesses were forced to close, and employees had to work from home whenever possible. This slowdown in business activity depressed any further growth seen by the industry. At the same time, more consumers remaining at home caused a jump in spending on home improvements and housing starts. Thus, the strong demand stemming from the residential market drove revenue growth through 2020.

Toward the end of the period, to deal with persistently high inflation rates, the Federal Reserve announced in 2022 they would be conducting contractionary monetary policy until they could get inflation under control. As a result, interest rates spiked, causing major slowdowns in both residential and non-residential markets. This predominantly happened because interest rate hikes slow down the rate of business expansion and housing growth. Despite major slowdowns in 2020 and 2022, floor covering stores' revenue has been growing at a CAGR of 1.1% over the past five years, reaching an estimated \$46.6 billion in 2023. This includes a 3.2% decrease in 2023 alone, when profit margins are estimated to climb to 2.8%.

Going forward, interest rate hikes are expected to remain a major roadblock for floor covering stores. Since the residential and non-residential markets are unlikely to turn around until rates begin to fall again, on top of this, floor covering stores will continue to face stiff competition from big-box stores like Home Depot and Lowes as the companies will only grow larger and expand the scope of their business. Nonetheless, floor covering stores' revenue is expected to fall at a CAGR of 0.1% to \$46.4 billion over the five years to 2028, when profit margins are estimated to climb to 2.7%.

Reference Appendix A for Industry Financial Ratios



HOME BUILDERS IN THE US

Industry operators primarily construct single-family homes, in which units are separated by ground-to-roof walls with no other units above or below. The industry also encompasses the remodeling of houses and other residential buildings. Industry operators include general contractors, design-build companies and single-family construction management companies acting as general contractors and builders.

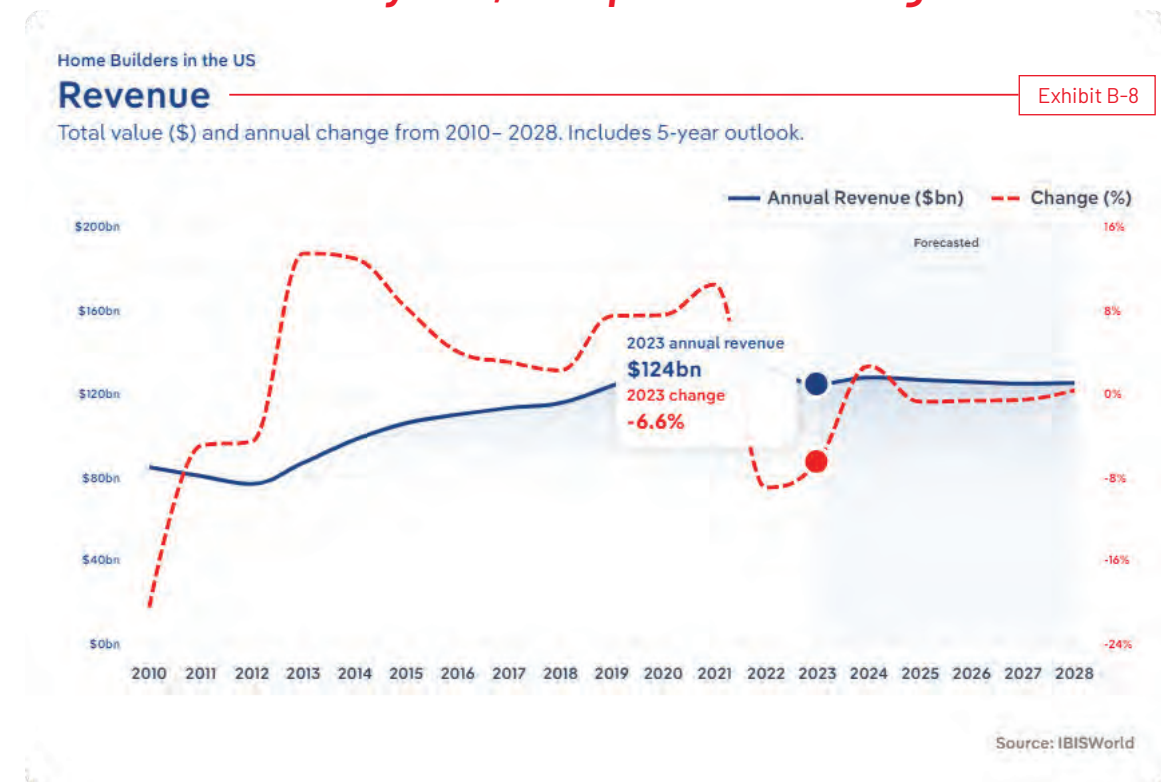
The primary activities of this industry are:

- Single-family homebuilding and general contracting (i.e. detached housing units, townhouses and row houses)
- Managing single-family housing construction
- Low-income single-family housing construction
- Managing residential remodeling construction
- Handyman construction for residential buildings

The major products and services in this industry are:

- Brick exterior homes
- Wood exterior homes
- Stucco exterior homes
- Vinyl siding exterior homes
- Fiber cement exterior homes
- Other exterior homes

“Home builders’ revenue will grow at a CAGR of 0.1% to \$124.5 billion over the next five years, with profit remaining at 6.0% in 2028.”



THE HOUSING MARKET COOLS DOWN

- The federal reserve is set to continue pushing interest rates up to combat recessionary concerns from the prior period. Rising rates will increase the cost of borrowing, discouraging potential home buyers.
- Housing stock has fallen moderately during the previous period, leading to a dip over the course of the outlook period.
- Price competition for a smaller number of projects will constrain growth.
- Material costs (think steel, oil, and gas) are also set to fall as the effects of the pandemic eviscerate.
- Homebuilders adjust their rates for projects since they will not be able to tack on any surcharges.

RENTING CONTINUES TO PICK UP STEAM

- Renting is still the most significant competitor for homebuilders.
- New college graduates with student debt are unlikely to get approved for a loan, making renting a viable alternative.
- Increasing tuition costs will only discourage students from purchasing homes soon.
- Many of the younger workforce tend to stay at their jobs for a short period of time. Renting offers them immense flexibility as they are not locked into a long-term mortgage.
- While owning a home has many benefits, it also comes with many responsibilities that consumers may not want to handle.
- Renovation and maintenance costs can add up. Renters do not have to worry about this since most leases are structured to require the landlord to fix any building issues.

GOVERNMENT ASSISTANCE REMAINS

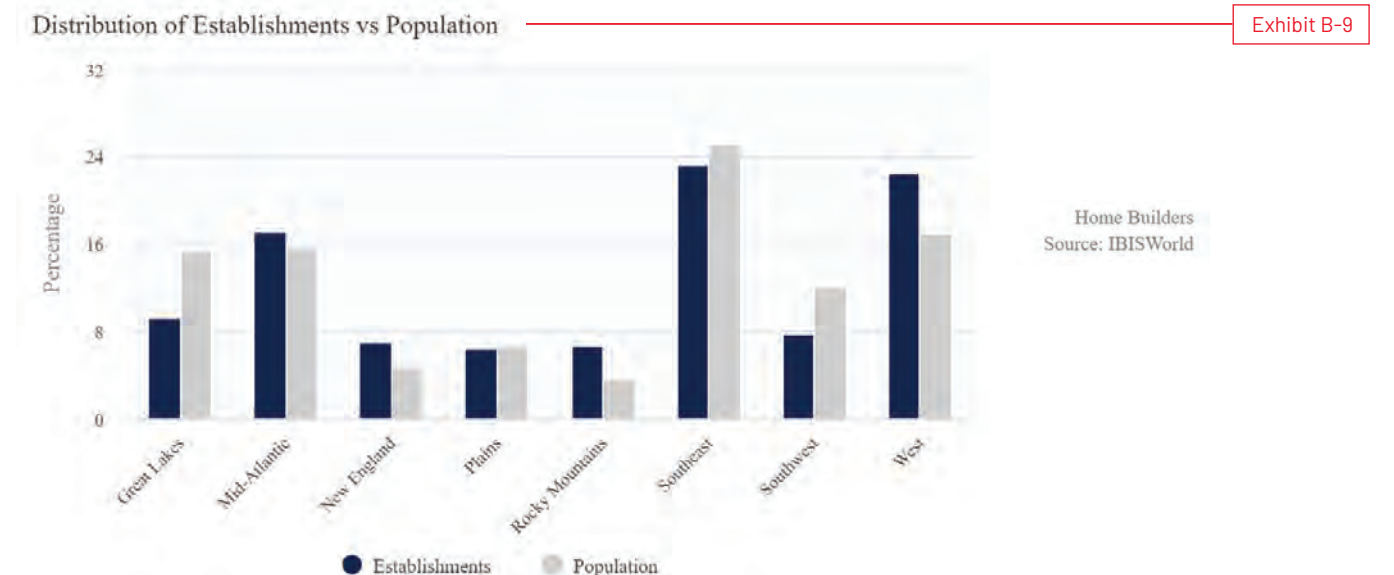
- Homebuying programs will remain, encouraging consumers to buy homes despite uncertain economic conditions.
- More affordable housing projects will provide a source of relief for homebuilders. Senior and disabled housing projects will also provide additional revenue.
- To promote homeownership, more homeowner tax credits are in the works, which may lead to more construction. Federal programs to lower fees will also encourage consumers to own homes.
- The Federal Housing Administration is constantly updating its documents to help expand resources to help bring in new homeowners. It is set to launch a new expansion of documents in different languages to bring in homeowners who speak limited English.
- Larger cities will continue building housing complexes to accommodate their ever-growing population.

THE GOAL IS TO OWN A HOME

- Rising interest rates and fulfilled housing stock are just some of the roadblocks that home builders face occasionally.
- While these may deter the need to buy a home, it is temporary, as many consumers' goal is to be homeowners.
- While housing prices temporarily dip, barring any significant economic events, prices are set to rebound in the foreseeable future.
- The appreciation in home values over time makes purchasing a home much more attractive in the long run. While renting offers short-term flexibility, locking in a home at a reasonable price can lead to below average mortgage payments in the future as inflation slowly creeps upward.

THE POPULATION DENSITY IN THE SOUTHEAST

- More than a quarter of homebuilders are located in the Southeast.
- The southeast region hosts more than a quarter of the US population.
- Florida, North Carolina and Virginia are central states where homebuilders operate.



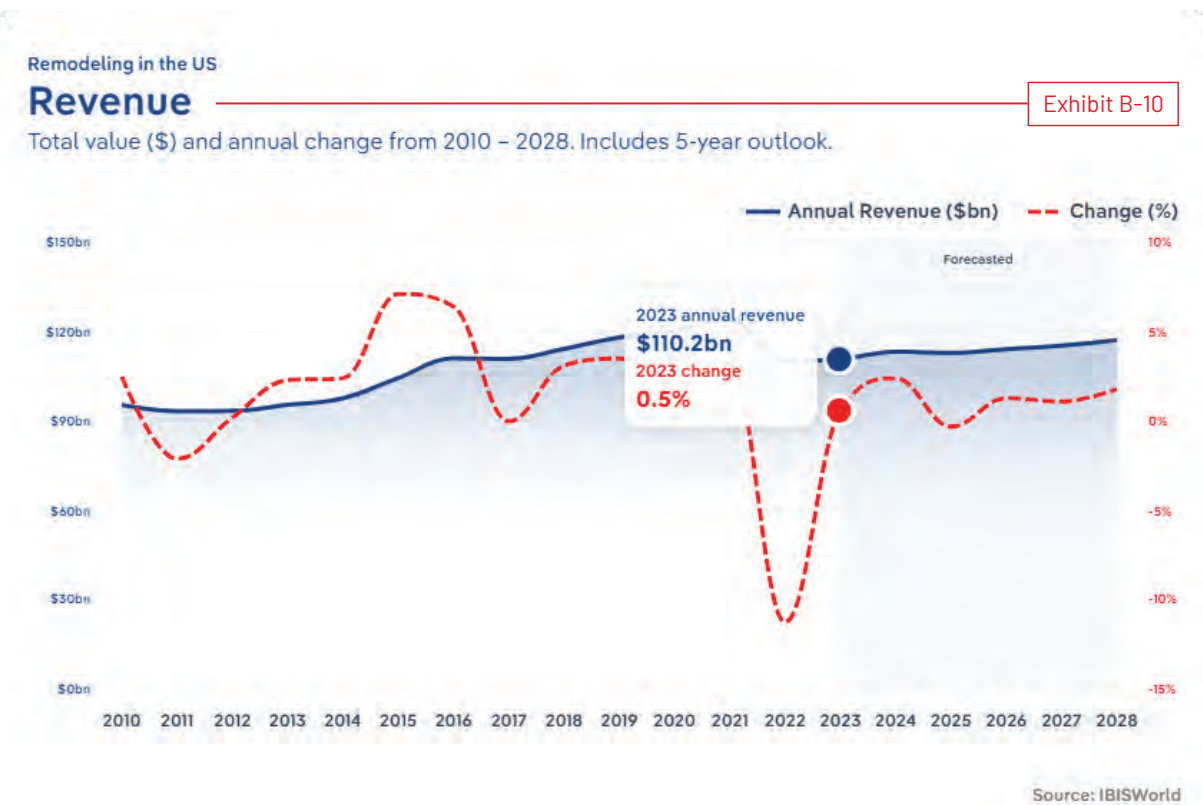
In 2020, amid the pandemic, inadequate housing and near-zero interest rates led to an uptick in construction, despite harsh economic conditions. Loans were easier to access, with mortgage rates reaching historic lows, allowing property developers to break ground on more residential projects. As the economy recovered, housing stock became fulfilled and interest rates rose again as the federal reserve continued to combat inflationary concerns. This led to a massive slowdown in construction at the period's end. Overall, industry revenue is set to increase at an annualized rate of 1.5% to \$124.0 billion through 2023, including a 6.6% decline in 2023 alone.

Interest rates are set to remain elevated through 2028 as the housing market enters a cooling-down period. Late spikes in the 30-year conventional mortgage rate have decreased the number of projects available for home builders. Inflationary concerns also lead more consumers to rent instead of buy.

REMODELING IN THE US

Operators in this industry remodel and renovate the interiors and exteriors of residential buildings (i.e., single-family homes and multifamily apartment building units). Remodeling includes additions, alterations, reconstruction, maintenance, and repair work. This industry is composed of general contractors, operative remodelers, remodeling design-build companies and remodeling project construction management companies.

Steady activity in the housing construction market is expected to return over the five years to 2028. Rising disposable incomes and the forecasted decline in unemployment are expected to continue to place money back in homeowners' pockets and drive stronger investment in homes. Furthermore, rising home prices and greater sales of existing homes are expected to support demand for renovations just as they magnified the downturn. Growth in private spending on home improvements is expected to expand, rebounding from end the previous five-year period, when per capita disposable income and consumer spending fell. Private spending on home improvements is expected to expand more organically over the next five years, as construction activity is expected to slow down amid increased volatility in financial markets. Overall, private spending on home improvements is expected to decrease at an annualized rate of 0.8% to reach \$220.0 billion over the five years to 2028.



The primary activities of this industry are:

- Outside additions
- Systems and equipment
- Kitchen and bathroom remodeling
- Room additions and other interior alterations
- Disaster repairs
- Driveways, walkways, fencing, walls, sheds and other yard improvements

The major products and services in this industry are:

- Kitchen and bathroom remodeling
- Room additions and other interior alterations
- Outside additions

“Shifting demographics like an increasing trend of urbanization are expected to create more demand for remodeling services.”

CHANGING HOUSEHOLD INCOME AND ECONOMIC CONDITIONS PROVIDE AN OPPORTUNITY FOR REMODELERS

- With interest rates forecast to remain high, annual housing starts will likely decline, contracting the pool of potential remodeling sites.
- High employment levels will boost per capita disposable income, enabling homeowners to spend more on home improvements, which will be a positive sign for the industry, tempering revenue loss.
- Rising home prices will likely continue to enable consumers to finance remodeling projects as many homeowners tap into their home equity to fund construction.
- Demand for eco-friendly remodeling is expected to increasingly support industry revenue growth as more technologically advanced products are introduced.



GROWTH PROSPECTS IN THE FUTURE FOR THE INDUSTRY

- As states resume operations after the COVID-19 pandemic, demand from residential construction is expected to increase, with unemployment expected to decrease. The interest rate charged on a 30-year conventional mortgage will continue to grow. Still, it will do so at a relatively more gradual pace than the dramatic rise, eventually declining as 2028 approaches. While this will provide ample time for would-be homeowners to adjust to higher interest payments, high interest rates will still be damaging to industry performance.
- An increase in the homeownership rate may benefit the industry, as homeowners are more predisposed than renters to spend on discretionary remodeling projects.
- Greater disposable income levels will likely enable consumers to expand their budgets to pay for professional services, like remodeling activities for their homes, stimulating industry revenue growth.
- Major remodeling projects are often financed through consumers' second mortgages and higher property values enable homeowners to borrow more considerable sums. Higher home prices encourage consumers to invest in their properties through renovations or additions instead of purchasing a new home altogether.

PRICE COMPETITION EASES IN THE INDUSTRY

- Increasing remodeling demand has enabled companies to lessen price competition. The average industry profit margin is expected to remain steady, only slightly decreasing, despite increasing establishments.
- Price remains the most significant basis of competition in the industry and companies typically operate with reasonably low profit, even during periods of strong demand.
- Favorable operating conditions will lead to more companies entering the industry. As enterprises expand, companies will also expand their labor force.

INNOVATION AND TRENDS DRIVE INDUSTRY

- In response to increased demand for eco-friendlier and energy-efficient homes, remodelers will increasingly use green methods and materials. For example, insulation in walls and double-glazing or low-emissive film in windows are now standard practices among remodelers hired to improve energy efficiency.
- State-based standards require windows and other fenestration products to be installed with thermal-capturing or resisting attributes, such as double-glazed windows.
- Remodelers will continue substituting traditional lumber products with alternative materials, like engineered wood products (e.g. particle board and craft wood), steel, plastics, polyurethane panels and concrete products for residential remodeling and housing construction.
- Companies will aim to conserve existing lumber resources by sourcing wood from appropriately certified suppliers to ensure lumber is harvested from responsibly managed forests. Product improvements, new standards and building-code modifications will encourage using alternatives to wood.

Remodelers renovate the interiors and exteriors of residential buildings. Industry activities include additions, alterations, reconstruction, maintenance, and repair work. The Remodeling industry is inextricably tied to consumers' disposable income levels and propensity toward discretionary spending. A decline in consumer confidence amid uncertain economic conditions and rising mortgage rates has caused the industry to contract. Remodeling revenue has been declining at a CAGR of 0.5% to \$110.8 billion over the past five years, including a projected skid of 3.4% in 2023 alone, as profit is expected to stabilize at 7.2%.

Before 2020, as construction activity expanded and demand for industry services increased, remodelers could command relatively higher prices for their work. The COVID-19 pandemic in 2020 disturbed consumers' confidence and the ensuing economic fallout has resulted in high inflation and associated interest rate hikes in response. As construction activity has resumed and ballooned following the speedbumps during the COVID-19 pandemic, with surging home prices, consumers have been encouraged to opt toward home improvement as opposed to purchasing a new home.

In the future, the Remodeling industry will likely buck the trend of decline as mortgage rates normalize and disposable spending flourishes. Shifting demographics like an increasing trend of urbanization and a higher number of households earning over \$100,000 are expected to create more demand for remodeling services. Remodeling revenue is expected to rise at a CAGR of 1.2% to \$117.7 billion over the next five years, as profit is expected to stagnate at 7.1%.

APARTMENT & CONDOMINIUM "MULTI-FAMILY" CONSTRUCTION IN THE US

In the future, the Remodeling industry will likely buck the trend of decline as mortgage rates normalize and disposable spending flourishes. Shifting demographics like an increasing trend of urbanization and a higher number of households earning over \$100,000 are expected to create more demand for remodeling services. Remodeling revenue is expected to rise at a CAGR of 1.2% to \$117.7 billion over the next five years, as profit is expected to stagnate at 7.1%.

The primary activities of this industry are:

- Constructing multifamily residential housing units
- Constructing apartment complexes (high-rise and low-rise buildings)
- Constructing condominiums (attached and detached units)
- Constructing townhouses and duplexes
- Constructing multiunit special-needs complexes (e.g. low-income, senior care and campus housing)
- Construction management of multifamily building projects

The major products and services in this industry are:

- General contracting
- Construction management (at-risk)
- Construction management (agency or fee)
- Other construction activities

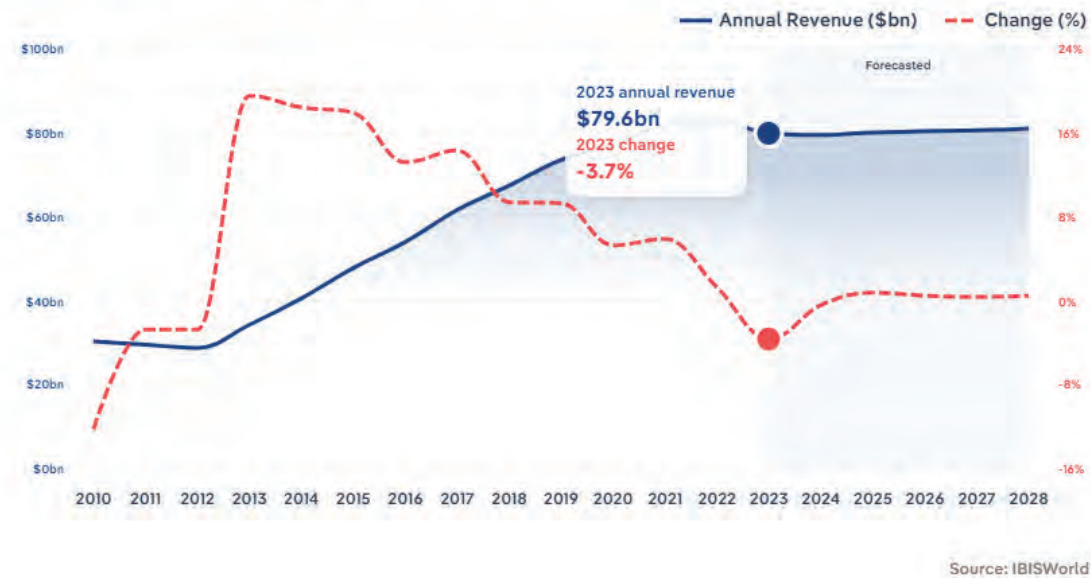
“Aging baby boomers will bolster demand for industry services.”

Apartment & Condominium Construction in the US

Revenue

Total value (\$) and annual change from 2010– 2028. Includes 5-year outlook.

Exhibit B-11



In the future, the Remodeling industry will likely buck the trend of decline as mortgage rates normalize and disposable spending flourishes. Shifting demographics like an increasing trend of urbanization and a higher number of households earning over \$100,000 are expected to create more demand for remodeling services. Remodeling revenue is expected to rise at a CAGR of 1.2% to \$117.7 billion over the next five years, as profit is expected to stagnate at 7.1%.

DEMAND FOR RENTAL ACCOMMODATION

Demand for rental accommodation is related to national trends in household income and wealth, housing affordability and medium-to long-term trends in demographic change. The effect of current economic conditions on household confidence has a great bearing on demand for rental accommodation, with slower household growth rates occurring during recessionary periods. Consumers must be confident in job security and future household income to commit to homeownership instead of rental housing. Furthermore, changes in political environments and national policies that affect credit availability, banking regulations and lending trends have a significant effect on homeownership rates, which in turn has an effect on demand for rental housing. In addition, the fallout from the collapse of the subprime mortgage market prior to the beginning of the period has brought the tightening of lending practices and a record level of housing foreclosures (mainly for lower-income households), which has pushed more people into the rental market.

The prevailing level of housing affordability also has a great bearing on the housing investment cycle. Housing affordability is the cost of purchasing a house relative to current household income. The affordability ratio (a measure of the average size of the loan over the current level of pretax household income) is directly influenced by the level of mortgage interest rates (the availability and price of financing) and the price of land, labor, and material inputs.

DEMOGRAPHIC TRENDS

Long-term demographic factors also have a direct effect on demand for rental accommodation. These include population growth rates, trends in net migration, population dispersion, the age composition of the population and the rate of household formation. Immigration policies are a major driver of metro and national household growth rates. As immigration is approaching half of the annual net US population growth rate, as reported by NMHC, any changes in immigration rates will greatly affect future housing demand. For example, several metropolitan areas such as Chicago, Detroit, New York and Philadelphia would have experienced zero or negative population growth in recent years if not for international immigration to those areas. Furthermore, the NMHC states that 1 out of every 5 renter households is held by an immigrant, while 73.0% of immigrants who have been in the US for 5 years or less are renters.

Furthermore, demand for homeownership is significantly smaller in comparison with prerecession levels due in part to changes in homeownership rates for younger buyers. According to NMHC, buyers under 35 have shown the largest decline in homeownership trends since its 2009 peak, with surveys of millennials suggesting that homeownership is less important to them than the prior generation. Additionally, while age has been shown to be positively correlated with home ownership, NMHC reports a conversion from home ownership to renting as people reach traditional retirement age. As baby boomers (those born between 1946 and 1964) have been crossing that threshold in recent years, this generation has increasingly required rental accommodation. Higher rates of immigration, the aging population and continued delays in family formation by younger people have decreased rates of home ownership over the five years to 2023, increasing demand for rental accommodation during the same period.

INVESTMENT IN RESIDENTIAL PROPERTY

The current and projected rental yields on properties underpin investor activity in this market. Properties with 5 or more units are typically viewed as being of the investment size and quality needed for residential property investment. Low rental vacancy rates and solid rental yields encourage new property investment into rental stock. Government policy measures also encourage the construction of high- and medium-density dwellings. These measures include municipal government “inner-city living” initiatives, policies covering strata or multiple property titles, conveyance regulations and costs, urban renewal and zoning and tax treatment of investment into property. Federal and municipal government urban renewal programs have provided significant stimulus to industry growth in high-population centers, such as San Francisco, Boston, Austin and Washington, DC.

Residential property investors (notably real estate investment trusts) are partly insulated from the wider cyclical fluctuations in the single-family housing market, as rental demand often strengthens during downturns in the economy (particularly evident in the recent spate of housing foreclosures) and from government assistance through Department of Housing and Urban Development (HUD) support for low-income housing and rent subsidization. Investment into rental apartments is also directly influenced by the availability of loans as well as lending practices in the mortgage finance market.

HOUSING PREFERENCES

Trends in household size and preferences in the size of accommodation largely affect demand for multifamily housing relative to single-family housing. The characteristics of renters widely differ from those of homeowners; NMHC estimates that 54.0% of renters are less than 44 years old, while only 25.0% of homeowners are less than 44 years old. Over the long term, there has been a downward trend in average household size in the United States but also a notable upward trend in the size of the average home, including multifamily housing. The trends in location preferences also affect demand for multifamily housing. There has been a long-term preference for older couples to move to tourist or retirement regions, including Florida and live-in multifamily housing communities close to amenities and recreational features (e.g. the seaside and golf courses). Young professionals have also increasingly been drawn to major metropolitan regions due to increased employment prospects in these areas and increasing demand for industry services.

ONE-OFF FACTORS

Natural disasters, such as property damage from hurricanes, bush fires, and earthquakes, can stimulate short-term demand for new multifamily housing construction irrespective of the underlying trends in housing demand. For example, Hurricane Harvey is reported to have rendered many houses uninhabitable in the greater Houston area and the surrounding Gulf region. As a result, construction of replacement housing stock is expected to continue over the next five years to 2028. In addition, the increase in the number of military personnel in recent years has also contributed to demand for the construction of single and multifamily accommodation adjacent to defense installations. Industry operators further benefit from the replacement of obsolete and old apartment buildings. According to a report on the state of the multifamily market published by Fannie Mae in 2015 (latest data available), an estimated 100,000 multifamily units are lost per year due to obsolescence and disasters. Many of these units are categorized in the more affordable segment of the market and are likely not be replaced in total with similar units, largely contributing to the declining trend of affordable multifamily rental housing on a national basis.

KEY TRENDS

- As rental vacancy rates declined during the period, systemic demand for new apartments increased.
- Amid a relatively low housing stock and low interest rates, homeownership rates have largely increased during the five-year period.
- The recovery of the US housing sector has led to increased property values.
- The industry will likely continue to benefit from investments in higher-value, master-planned community developments and luxury apartments.
- Larger companies will likely gain market share as they continue to expand.
- Increased investment in residential construction has fueled industry activity.

INFLATIONARY CONCERNS REMAIN A TEMPORARY CONCERN:

- Inflation and economic uncertainty will temporarily remain an issue for contractors.
- Rising interest rates increase the rate of borrowing, slowing down investment.
- Price competition for a smaller number of projects will constrain growth.
- The price of material costs is also set to fall, following spikes earlier in the period. Fuel costs will also drive down prices as oil and gas prices fall from historical highs.
- Multifamily home builders will have to adjust their rates for projects and lower surcharges.

NOT ENOUGH HOUSING IS AVAILABLE:

- More than 4.0 million affordable units were lost between 2015 and 2020.
- The National Multifamily Housing Council suggests that the US needs to build 4.3 million new apartments by 2035 to address the ongoing housing shortage.
- While immigration was sluggish amid the pandemic, it is set to reverse moving forward, which increases the need for more apartments.
- Texas, California, and Florida are the three states that require the bulk of these new apartments. Large urban cities like New York City are set to expand their affordable housing programs to help low-income residents.
- Government projects will continue amid the need for more new housing.

RENTING MIGHT BE THE WAY TO GO

- While home prices are set to drop, they may still be expensive for many potential buyers.
- New college graduates with student debt are unlikely to get approved for a loan, making renting a viable alternative.
- Renting offers immense flexibility since leases generally last a year. Renters can even sublet their places for a short period of time instead of breaking a lease.
- Sharing an apartment with roommates to split costs has become popular among the younger demographic.
- Increasing tuition costs will only discourage students from purchasing homes soon.
- An uptick in vacancies will deter potential renters from new buildings.

GOVERNMENT TAX INCENTIVES PROVIDE A SPARK FOR BUILDERS:

- The Low-Income Housing Tax Credit offers developers a 10-year tax credit for taking on low-income housing projects.
- The New Energy Efficient Home Credit offers a tax credit of up to \$3,200 for improvements from 2023 to 2032. Up to \$1,200 can be claimed for energy property, home audits and efficiency improvements. The remaining \$2,000 is deserved for qualified heat pumps, biomass stoves and boilers.
- Many states also have energy efficiency programs that offer tax credits for multi-family properties that meet certain energy requirements. These incentives not only save developers money but also help make buildings greener.

Companies in the Apartment and Condominium construction industry build new multifamily residential units, including apartment complexes, condominiums, townhouses, and duplexes. Some companies offer construction management for projects. The drastic need for apartments has led to an increase in construction through 2023. Overall, revenue is set to grow at an annualized rate of 3.5% to \$79.6 billion over the five years to 2023. This includes a 3.7% decline in 2023 as inflation slows construction activity. Low interest rates amid the pandemic led to a rise in residential investment, which included apartment complexes. As the economy cooled down and inflationary concerns began to arise, many contractors delayed construction, leading to a contraction at the end of the period. Profit remained elevated, but price competition held back any sizable growth. Multifamily complexes are still very much needed as young professionals and immigrants move to major cities.

Interest rates are set to remain elevated through 2028 as the housing market enters a cooling-down period. Late spikes in the 30-year conventional mortgage rate have decreased the number of projects available for home builders. Inflationary concerns also lead more consumers to rent instead of buy. Apartment construction is set to continue to account for the growing population in the US. Affordable housing complexes remain crucial in many large cities and will be needed as more people come in. Rental vacancies will continue to threaten contractors, as many consumers may split housing with roommates and fulfill current stock to save money. Overall, industry revenue is set to increase at an annualized rate of 0.3% to \$80.7 billion over the five years to 2028.

GRANITE & MARBLE RETAILERS IN THE US

This industry primarily sells granite and marble slabs through direct and electronic retail sale and then cuts, shapes, and finishes countertops for kitchens and bathrooms. The industry does not include mass merchants or home improvement stores, but it does include the retail locations of vertically integrated granite and marble manufacturers.



The primary activities of this industry are:

- Manufacturing countertops and horizontal work surfaces for kitchens
- Manufacturing countertops for food preparation areas
- Manufacturing countertops for bathroom vanities

The major products and services in this industry are:

- Stock-line kitchen countertops
- Stock-line bathroom countertops
- Custom-order countertops

CONTRACTORS AND HEAVY CONSTRUCTION

Many products that the industry retails require specific knowledge to properly install and operate, so licensed contractors undertake much of the installation work and consequently represent the largest market for this industry, accounting for an estimated 50.2% of total revenue. Contractors purchase industry products for construction of new buildings or for individual families that have contracted them for home improvement projects. The growth of the US housing market, which is an essential driver for granite and marble sales, has contributed greatly to the expansion of this revenue segment. For example, housing starts have risen an annualized 5.5% over the past five years. Furthermore, despite the COVID-19 (coronavirus) pandemic, positive economic indicators, such as growing per capita disposable income and consumer spending, lead to a greater number of consumers that hire contractors for their home renovation projects. This has bolstered the number of sales of industry materials to professional contractors.

HOUSEHOLDS

Granite and marble are popular in kitchens, bathrooms, and other high-traffic areas for several reasons. The products are generally resistant to water damage, make cleaning easier and adding an aesthetic improvement over traditional linoleum, hardwood or carpet flooring. Recently, homeowners and builders have increasingly used tiles in non-traditional areas of the house, such as hallways, family rooms and patios for similar reasons. This change in consumer preferences has been prompted as homeowners increasingly prefer all forms of indoor tile such as ceramic, porcelain and stucco.

With beneficial changes in customer tastes, demand from households has improved over the past five years. For example, the value of residential construction has risen sharply over the past five years to 2021, at an annualized rate of 4.4%, bolstered by low mortgage rates during the pandemic. Additionally, construction of private residences has grown as families have gradually filled up the existing supply of homes, while rising disposable income levels have increased demand for new and refurbished housing. Purchases of granite and marble upgrades have improved among individual consumers as a result. Households and individuals are expected to represent 31.7% of the industry's total revenue.

OTHER INSTITUTIONS

With the value of private nonresidential construction expected to decline at an annualized rate of 1.3% over the five years to 2026 due to falling corporate profit and added pressures during the pandemic, limited construction of new facilities has pressured this segment as a percentage of industry revenue. However, economic recovery is expected to support these markets over the next several years. Private businesses purchase granite and marble to improve the aesthetic appeal of their facilities, while other specialty retailers may occasionally purchase the industry's products and resell them to households in combination with other products or services.

Tile & Marble Stores in the US

Products & Services Segmentation

Industry revenue in 2023 broken down by key product and service lines.

Exhibit B-13

Source: IBISWorld



● Marble, granite and slate tiles (\$3.2bn) 29.6% ● Ceramic and concrete tiles (\$2.2bn) 21.0% ● Terrazzo, mosaic and other tiles (\$5.3bn) 49.4%

“The Granite and Marble industry is expected to continue to expand over the next five years, driven by economic recovery and rising nonresidential construction activity.”

The granite and marble industry has a low to moderate level of market share concentration. Concentration is moderately low because it is both difficult and financially impractical for establishments to cover a large geographic area. Shipping and transportation costs are immense in this industry; As a result, consumers and developers often choose local granite and marble retailers, which are not burdened by high transportation costs. Although stores typically serve a local market, The Tile Shop has quickly expanded its retail operations by taking advantage of economies of scale to control how its own products are manufactured, distributed and sold. Control of the entire supply chain has eliminated additional costs that result from using third party distributors, enabling the company to command a greater market share. This practice, however, is not the norm in the industry, which is composed of numerous smaller operators that serve local markets.

KEY SUCCESS FACTORS

- **Ability to control stock on hand:** Industry operators need to have sufficient inventory to meet consumer demand while making sure not to accumulate inventory buildup.
- **Experienced work force:** Since products sold by industry operators vary on price, function and longevity, an experienced and knowledgeable salesforce can pitch the right product for each consumer to maximize sales. Further, experience with the fabrication of such materials along with installation lead to customer satisfaction.
- **Proximity to key markets:** Stores located in cooler climates and in high construction growth areas will maximize their exposure to additional clients.
- **Having links with suppliers:** Having established relationships with suppliers is key for Granite and marble retailers. Stores often create exclusive partnerships with suppliers to permit stores to retail products at lower prices.

The industry has exhibited strong financial performance over the past five years, despite pressures pertaining to the COVID-19 (coronavirus pandemic). Retailers in this industry primarily sell to professional contractors in residential and nonresidential building markets, as well as to do-it-yourself homeowners. Industry products are purchased for new construction projects or remodeling activities. As residential construction spending has risen over the past five years, stimulated by healthy growth in consumer spending and disposable income, industry revenue has followed. In particular, the value of residential construction has increased an annualized 4.4% during the period, while private spending on home improvements grew an annualized 3.7%. These trends counteracted the declining value of nonresidential construction over the past five years. Overall, revenue has expanded an annualized 1.2% to \$8.9 billion over the five years to 2021, including growth of 6.3% in 2021 amid economic recovery from the pandemic.

Industry operators face rising competition from the Home Improvement Stores industry, among others. As big-box home improvement stores like Home Depot and Lowe's have increased in size and scope, many industry operators have consolidated or shifted focus to greater online presences and partnerships with other regional operators to reduce costs and remain competitive. Over the past five years, operators have followed a trend of consolidation in the industry, as operators look to benefit from expanded regional presence and economies of scale to better compete with home improvement stores. However, competitive pressures and the pandemic ultimately led to some profit declines.

PH Consulting projects industry revenue growth to continue at an accelerated pace. Niche companies will continue to differentiate themselves from home improvement stores, while the industry's larger chain establishments continue to lead the industry. Still, as interest rate levels ease, investment into the housing market will accelerate, boosting housing starts and private spending on home improvements. Thus, while residential markets temper, a rebound in the nonresidential market boost industry revenue, rising at an annualized rate of 2.3% or > \$10.0 billion by 2028.

With an in-depth understanding of the market and its trends, the foundation for intentional growth is built on a forward path that relies on evidentiary information, industry expertise and deliberate diversification. In developing a strategic plan for The Barton Group, this close examination of the market is a strong piece of the road map for growth. With a careful eye on industry expectations, we are able to plan in a measured way that optimizes opportunity and demand to become a home solution brand that captures market share across the industry.



COMPETITOR ANALYSIS

Market share concentration in the floor covering industry is relatively low due to high fragmentation. In the flooring industry, there is only one major player, Floor & Décor. Floor & Décor Holdings is a public company with an estimated 5.2% of total industry revenue. While the company has made moves to increase its presence in the market, most other companies are regionally based, with little ability for expansion. Furthermore, rising interest rates are anticipated to slow acquisitions in the industry / concentration.

Operators in the industry experience competition with other industry players (internal competition) and operators from other industries (external competition). The level of competition in this industry is currently high and steady.

“Operators in the Floor Covering Stores industry compete with one another on the basis of location, price, quality standards and product assortment.”

High traffic areas help stores maximize exposure, which results in stronger sales from heavily populated areas, such as the Southeast and the Mid-Atlantic regions. Therefore, the ability of industry operators to find available high-traffic locations and negotiate acceptable lease terms is critical. The availability of rental properties and lease terms may depend on conditions in the real estate market and relationships with landlords. The industry is also subject to strong price competition. Industry operators price products to maximize returns, while remaining conscious of the prices charged for similar items by rival competitors. Low prices offered by stores can make a particular operator more desirable than those that retail products at a higher price. Thus, many industry players offer price match programs that guarantee the lowest price. Overall, the intense price competition in the industry can be dangerous. If not monitored closely, price competition can cut into the profit margin and even force underperforming stores to close. Operators also compete on product quality since consumers typically shop at stores that offer the best range of quality products to choose from. As a result, many industry players pay close attention to selecting qualified suppliers that can satisfy both quality and safety standards. In addition, industry players heavily invest in customer service since industry products often require specific knowledge of installation and maintenance. Finally, the ability of industry operators to have a wide range of products available at their stores provides an additional competitive edge. Larger product assortments let companies understand consumer tastes more precisely by introducing new products at some stores and scaling up the distribution at other stores if these products show high demand.

The Floor Covering Stores industry experiences external competition from operators that retail a similar line of merchandise. In particular, the industry experiences strong competition from large home improvement centers such as The Home Depot Inc. and Lowe’s Companies Inc. These large stores offer a wide assortment of home building materials (i.e., power tools, plumbing and electrical goods, lumber and structural building materials, wallpaper, and paint) in addition to floor coverings, providing consumers with convenient one-stop shopping experiences. Home improvement stores can maximize cost savings by establishing relationships with manufacturers and purchasing large volumes of inventory at once, enabling them to offer discounted products to consumers. Consequently, such competitors have been able to capture a large share of the floor covering market.

One form of diversification is to minimize reliance on revenue driven by retail sales and focus efforts on business to business. In fact, some of the larger floor covering resellers, both nationally and regionally, in Texas, do not even pursue retail. Instead, they solely pursue Builders of single-family homes, single-family rentals, multi-family, senior living, student housing, hospitality and commercial. This was never more evident when witnessing the number of competitors attending the 2023 NAA Apartmentalize Exhibition in Atlanta, Georgia.

See Appendix B for Competitor Attendee List

CURRENT STATE OF RETAIL

Nationwide, the specialty floor covering retail category is on the decline. The Census Department hasn’t reported retail sales in the category since 2016, when some 9,200 retail firms operated just over 11,000 stores. By 2019 that number dropped to 10,669 establishments operated by about 8,800 firms, a net loss of 362 stores. And likely, the number of specialty floor covering stores has declined since then. That is clearly not the case for Floor & Decor which started 2017 with 69 stores and has added over 100 since then.

Nationally, Floor & Decor has few direct competitors with scale. One of them is Dallas-based Artisan Design Group (“ADG”) which was formed in 2016 with the merger of Floors Inc. and Malibu Floors. Private equity Sterling Group subsequently acquired ADG in 2018.

Since then, ADG has followed a roll-up strategy by acquiring independent retailers that maintain their local brands. Floor Covering Weekly reports ADG generated \$1.5 billion in sales in 2021 and operated approximately 100 stores.

Another competitor is LL Flooring, formerly known as Lumber Liquidators. With some 450 stores, LL’s revenues of nearly \$1.2 billion in 2021 were only a fraction of Floor & Decor’s.

Other than Artisan Design Group and LL, independent specialty flooring stores with fewer than 20 employees account for over 90% of the nation’s retail flooring firms. They are particularly vulnerable when Floor & Decor moves in.

The big box home improvement chains also compete but can’t offer the depth and breadth of products and services to the DIY or professional customers that a flooring specialist like Floor & Decor can.

Another reason for a decline in retail is the emergence of the Shop-at-Home concept that spiked during the height of the Covid pandemic. Such a model allows for the consumer to schedule an appointment at their convenience with design associates that come to your home with samples and resources to provide accurate quotes based on actual dimensions.

See Appendix C for Top 50 U.S. Flooring Retailers

“Nationwide, the specialty floor covering retail category is on the decline.”

SIGNIFICANT COMPETITORS IN TEXAS FOOTPRINT

Dixie Carpet Installations Inc. (owned by Artisan Design Group “ADG”)

13450 S. Gessner

Missouri City, TX 77489

<https://www.dixiecarpet.com>

Locations: Dallas, Houston, Austin, San Antonio, Corpus Christi, Denver, Atlanta, Greenville, Tucson, Phoenix

Services: Flooring Services in Multi-Family Replacement, Multi-Family New Construction, Commercial, and Single Family

“To create an exceptional culture and experience for our employees and customers through optimism, innovation, integrity, and FUN – while installing flooring for the multifamily community.”

FS Builder Resources

2801 E HWY 121

The Colony, TX 75056

<https://www.fsbuilderresources.com>

Locations: Dallas, Houston, Austin, San Antonio, Orlando, Baton Rouge

Services: Flooring Services, Stone Resources, FS Blinds, IBS Lighting, Premier Stair

“Our joint approach to the home building industry, working with multiple trade is only one of the ways FSBR sets itself apart.”

Wisnbaker Builder Services, Inc.

1703 Westfield Loop Road

Houston, TX 77073

<https://www.wbs.com/>

Locations: Dallas, Houston, Austin, San Antonio

Services: Cabinets, Countertops, Sinks, Flooring, Wall Tile, and Window Coverings

“Wisnbaker Builder Services is a global, direct source supplier to the Texas residential construction market. Our target customers are local, regional, and nationally based production builders.”

Shop @ Home Competitors

Empire Today

333 Northwest Avenue

Northlake, IL 60164

<http://www.empiretoday.com>

Locations: >75

Services: Empire Today is best known for their in-home service, including measurements, and next day installation, as well as a simple, but catchy jingle in television commercials.

Note: The company is owned by H.I.G. Capital.

Express Flooring

41110 W Washington Street

Suite 100

Phoenix, AZ 85009

<https://www.expressflooring.com/>

Locations: Phoenix, Tucson, San Antonio, Austin, Las Vegas, Dallas, Ft. Worth and New Mexico

Services: Residential and Commercial floor coverings, Flooring removal, Flooring installation

Note: The company is owned by Brookside Capital Partners

Smart Carpet

1913 Atlantic Avenue

Suite F1

Manasquan, NJ 08736

<https://smartcarpet.com/>

Locations: New Jersey, Staten Island & Eastern Pennsylvania

Services: Residential and Commercial floor coverings, Flooring removal, Flooring installation



M&A LANDSCAPE

Despite any uncertainty, key flooring industry players are bullish and looking to make acquisitions. Two years of record performance have made large strategic buyers cash rich and platform companies funded by private equity are seeking expansion through acquisition as well as via organic growth. Recent, notable deals include the acquisition of Redi Carpet (34 locations), a next-day flooring installer for the multifamily industry, by HD Supply, a subsidiary of The Home Depot. This industry is no stranger to M&A activity and consolidation, but until now the two largest players have been Interior Logic Group's (ILG's) Property Services division and Artisan Design Group (ADG), both backed by private equity. With Home Depot, we are seeing another 800-pound gorilla enter the space and one of the largest independent operators being absorbed by a larger corporate entity.

PH Consulting sees both risks and opportunities here for the remaining players. Consolidators in the space, including ILG and ADG, but also Impact Property Solutions, Rasa, Real Floors and others will be sure to take notice. There is now another well-capitalized buyer to compete with for the remaining top-quality independent sellers in the space. We view this as unequivocally good news for independents who may be looking to transact in the future.

What could this mean for the operational side of the business? Clearly HD Supply will be looking to extend Redi's existing business, which naturally means attempting to take share from current install services providers. Competition for some customers is likely to heat up over the coming months and years, which could put some providers in a tougher situation.

However, it's essential to remember that price, while important, is not the only, and often not even the most vital differentiator in this market. Property managers and owners rely on installers to provide quick and transparent timing, frequent communication, and reliable quality. Large corporate acquisitions can be disruptive, especially in the near term, and any fumbling of customer relationships or talent turnover as a result of this deal could provide competitive inroads for operators looking to retain and grow share. This may well present potentially compelling opportunities for independent operators.

Flooring companies looking to capture top value in today's market should focus on carving out a narrative inside the larger context of the industry. A key part of this narrative includes the moves that major buyers are making and the reasoning behind them. For potential sellers, timing is everything. Though likely better, this year looks to be shaping up similarly to the previous two, with strong demand buoying top lines and supply chains starting to detangle.

See Appendix D for additional information on notable consolidation transactions.

COUNTERTOP FABRICATION

Concentration in this industry is low as most countertop fabricators are small-scale. Nearly three-quarters of countertop fabricators employ less than ten employees. Most countertop fabricators provide services on a local level and produce custom-made products. Only a few companies can produce a high output of countertops to secure supply contracts with large retailers like Home Depot and Lowe's. Foreign-made imports discourage companies from increasing their output since price-based competition is stiff and foreign manufacturers pay lower wages.

REGIONAL COMPETITORS

Aston Designs Flooring & Countertops

3625 S Port Avenue

Corpus Christi, TX 78415

<https://www.astondesigns.com>

Locations: Corpus Christi, Port Aransas, Rockport

Services: Countertops & Flooring

Tanza Granite & Marble

1565 US-59

Edna, TX 77957

<https://tanzagranite.com>

Locations: 1 location (see above)

Services: Countertop Fabrication

"Tanza Granite is your one stop shop for all countertop services in the Edna area."

True Blue Surfaces

3626 Binz-Engleman Road

San Antonio, TX 78216




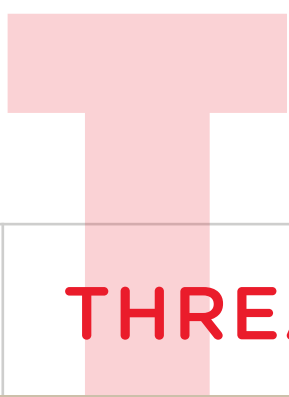
<https://truebluesurfaces.com>

Locations: San Antonio, Austin

Services: Countertop Fabrication for Home Builders, Homeowners, and Commercial Builders

"True Blue is a leading provider of stone surfaces in San Antonio, South Texas, Austin and the surrounding Hill Country."



 STRENGTHS	 WEAKNESSES	 OPPORTUNITIES	 THREATS
<i>Healthy Balance Sheet</i>	<i>Immature processes</i>	<i>Ability to leverage infrastructure into complementary markets</i>	<i>Elevated Interest/Mortgage Rates</i>
<i>Geographic Market Locations</i>	<i>Insufficient C-Suite</i>	<i>High Revenue Growth (2024 -2028)</i>	<i>Housing Starts</i>
<i>Industry Reputation</i>	<i>High Division Class Concentration</i>	<i>Per capita disposable income</i>	<i>Rental Vacancy Rates</i>
<i>Low Imports</i>	<i>High Competition</i>	<i>Number of households + US Housing Shortage</i>	<i>Fragile Corporate Infrastructure</i>



GROWTH STRATEGIES

The company has experienced significant growth (see chart in The Company) over the last five years, yet there are plenty of opportunities to continue to increase reach and maximize potential in our developing markets. As we look to the future, one primary goal will be to diversify the “mix” of revenue while being very intentional about reducing concentration within the Builder division while expanding capacity to reach new heights in all Divisions. Revenue in the United States for floor covering stores is expected to fall at a CAGR of 0.1% over the next five years. We have to be creative. We have to build value for our company and our customers. The vision to differentiate our business is the road map to continued evolution and success.

The growth strategy will have four (4) components:

- Multi-Family Focused Joint Venture
- Product Line Extension
- Reimagine Retail (2X)
- Texas Footprint Expansion

MULTI-FAMILY FOCUSED JOINT VENTURE (Q1 '24)

The US multifamily housing market has achieved record-setting performance over the last five years and has expanded exponentially. The next five years may not see the same level of growth, but The National Multifamily Housing Council suggests that the US needs to build 4.3 million new apartments by 2035 to address the ongoing housing shortage. Overall, the company has not participated in the explosion of the multifamily market. That must change.

Despite short-term headwinds facing multifamily properties, investors’ long-term perspective for multifamily properties remains strong. Opportunities in this sector stem from the large millennial and gen Z population (potential new homeowners), who currently prefer to rent rather than assume financing for property acquisition.

Historically, the multifamily sector has proved to be resilient during recessions. The current multifamily vacancy rates are well below previous recessionary levels, and rental growth remains strong. Even during the Global Financial Crisis (GFC), apartments (used as a proxy for multifamily properties) encountered a minimal vacancy rate increase of just 0.75% versus a rise of about 2.75% in other property sub-asset classes as per Cushman & Wakefield. Similarly, cumulative rental losses were also moderate at 3.75% for apartments, compared to as much as 13% for other real estate sub-asset classes.

Rising interest rates have restrained multifamily investment activity, as higher mortgage rates have kept homebuyers and investors on the side-lines. The level of supply the market provides within the next 12-24 months will partly determine the duration of the challenges the multifamily market will face. Nevertheless, the multifamily sector remains among one of the more resilient sectors within commercial real estate. The long-term tailwinds of this sector remain intact, as there is a considerable shortage for mid-priced affordable housing in the US, which can eventually cater to the US’ large millennial and gen Z population. Interestingly, the multifamily sector was ranked as the top asset choice in the Americas in Colliers’ ‘2023 Global Investor Outlook’ report.

With the company’s multipronged growth strategy, the expansion, by market, will be led by the focus on Multifamily. PH Consulting has pursued a strategy to recruit two individuals to support this effort for The Barton Group who have significant Multifamily experience throughout the entire country.

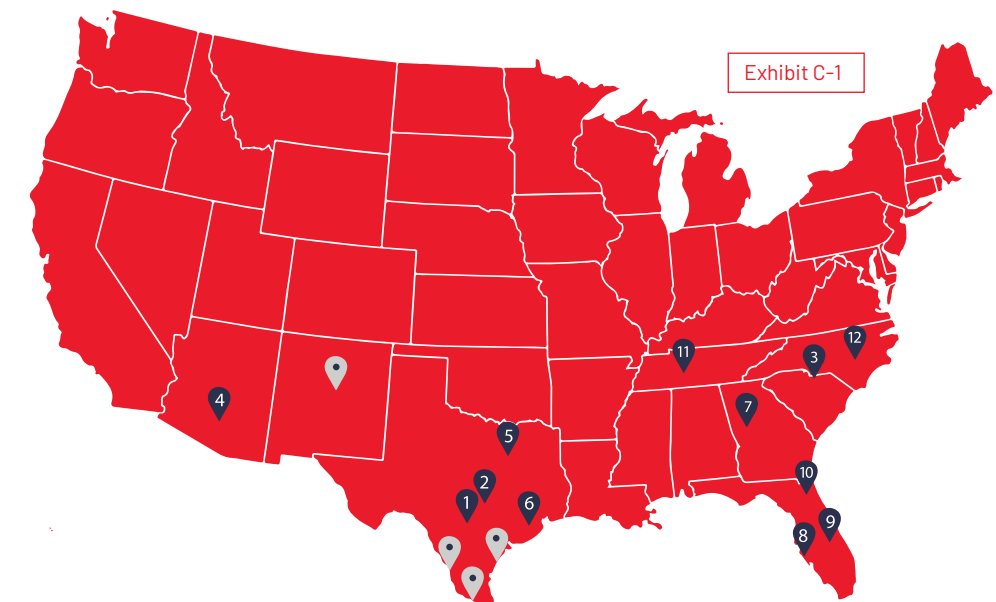
“The top 10 destinations for absolute population growth over the last year are all Sun Belt metros.”

Starting in the back half of 2024, the plan calls to enter ten (10) new major markets across the Southern United States (“Sunbelt”) over an aggressive 30-month window with the intention to avoid locations in which a “market king” is present. A market king refers to a company who is super-strong in one or more localized markets, but not a national player. For reference, CRT Flooring Concepts would probably be considered a market king in San Antonio, at least on the Builder (new construction) Division.

The company’s definition of “Sunbelt” will run from Arizona to the Carolinas with the largest presence to remain in Texas. The target markets include Atlanta, Georgia; Charlotte, North Carolina; Dallas, Texas; Houston, Texas; Jacksonville, Florida; Nashville, Tennessee; Orlando, Florida; Phoenix, Arizona; Raleigh, North Carolina and Tampa, Florida.

Listed below is the chronological order of execution:

- Charlotte (May ‘24)
- Phoenix (November ‘24)
- Dallas (March ‘25)
- Houston (May ‘25)
- Atlanta (September ‘25)
- Tampa (November ‘25)
- Orlando (February ‘26)
- Jacksonville (April ‘26)
- Nashville (August ‘26)
- Raleigh (October ‘26)



The profile of each market is distinctly different (except for Austin) than previous expansion within J&R Sales. The company is going to pursue growth within major metropolitan areas as this will serve as a form of insulation while operating within high interest rate environments. For example, through September 2023, J&R Sales is up nineteen (19%) percent in revenue YOY - with San Antonio carrying the load with an amazing forty-three (43%) percent increase. Conversely, in the smaller markets the company is down eight (-8%) percent in Corpus Christi; down twenty (-20%) in McAllen and a negative thirty-one (-31%) in Laredo. Admittedly, J&R's leadership believes the spike in interest rates has impacted the smaller markets.

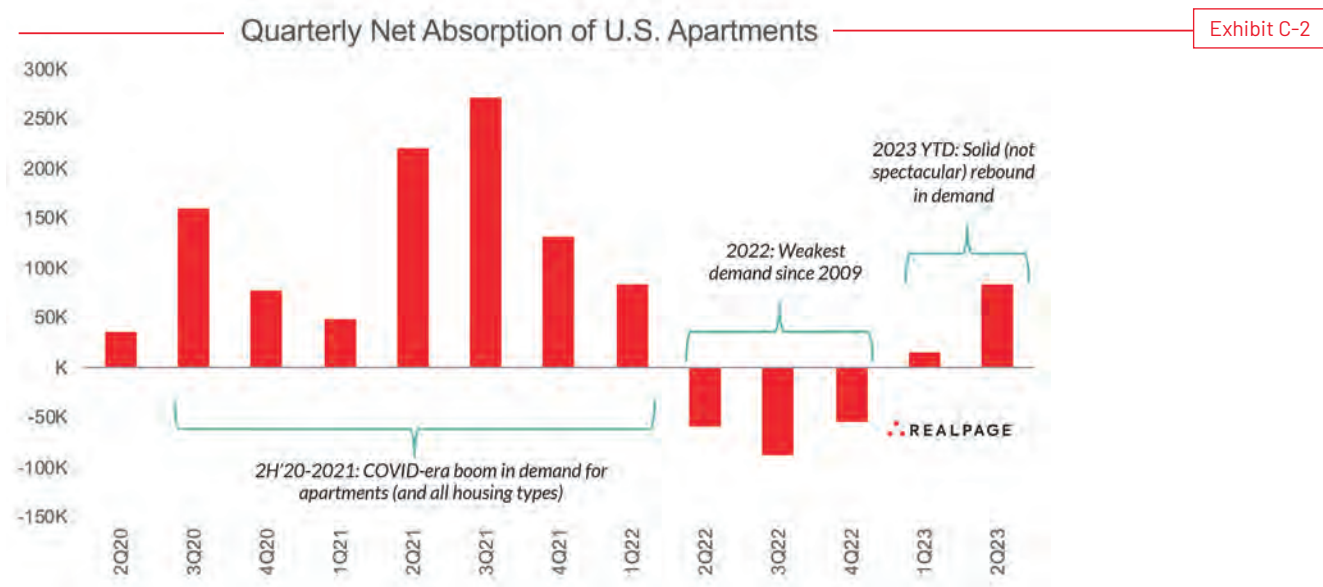
Americans migrated in massive numbers to large Sun Belt metro areas and fast-growing suburban cities between 2021 and 2022, according to newly released Census data. These patterns reflect the age-old inclination of Americans to seek out places offering good economic opportunities and affordable quality of life - and run counter to early press reports on the data. Media reporting on the Census Bureau's latest release suggests that pandemic-era demographic shifts started to reverse last year, with a return to core cities on the East Coast and elsewhere.

The top 10 destinations for absolute population growth over the last year are all Sun Belt metros. Four are in Texas: Dallas-Fort Worth (#1), Houston (#2), Austin (#6), and San Antonio (#9). Three are in Florida: Orlando (#5), Tampa (#7), and Jacksonville (#10). Third-ranked Atlanta, Georgia (#3); fourth-ranked Phoenix, Arizona (#4); and eighth-ranked Charlotte, North Carolina (#8), round out the list. All 10 ranked among America's fastest-growing metros from 2010 to 2020. All 10-score high in a George W. Bush Institute-SMU Economic Growth Initiative study of opportunity and economic mobility in U.S. cities.

With the execution of this plan, the company's future footprint would include 14 of the 20 Fastest Growing US Metro Areas.

While rent growth continues to cool rapidly, apartment demand is rebounding so far in 2023. Net absorption came in just shy of surging new supply levels in 2nd quarter 2023, stabilizing occupancy rates after a precipitous decline in 2022.

Net demand registered at 83,449 units in the 2nd quarter, according to RealPage data. That marked a five-quarter high but was well below the record numbers seen during the 2021 boom.



Apartment demand appears to be normalizing as expected so far this year. That is good news, but it is still not enough to keep pace with new supply and likely won't be as completions peak later this year and well into 2024.

Through the first half of 2023, more than three-fourths of net new demand has gone to the Sun Belt or Mountain region, led by Houston, Phoenix, Dallas/Fort Worth, Charlotte, Nashville and Austin. Demand hotspots elsewhere included Chicago, Washington, DC and Northern New Jersey. Conversely, net demand was more limited along much of the West Coast.

Exhibit C-3

Apartment Demand Leaders, 1H 2023

Rank	Market	Net Absorption (Units)
1	Houston, TX	6,877
2	Phoenix, AZ	6,635
3	Dallas/Fort Worth, TX	6,430
4	Chicago, IL	5,486
5	Charlotte, NC	5,257
6	Nashville, TN	5,163
7	Austin, TX	4,868
8	Atlanta, GA	4,704
9	Washington, DC	4,698
10	Orlando, FL	3,785
11	Denver, CO	3,711
12	Northern New Jersey	3,266
13	Raleigh/Durham, NC	2,826
14	Jacksonville, FL	2,724
15	Huntsville, AL	2,548

Source: RealPage Market Analytics REALPAGE

The demand rebound comes just as the 50-year high in apartment construction begins to convert into peak completions. More than 107,000 apartment units were completed in the 2nd quarter 2023, and RealPage is tracking more than 1 million additional units under construction at the end of June.

Completions are expected to remain elevated through 2024 before easing in 2025. Ongoing construction tops 25,000 units in 17 markets across the country, led by Dallas/Fort Worth, Phoenix, New York, Austin, Northern New Jersey, Houston, Atlanta and Washington, DC. Demand continues to go where supply is going, which is normal. Demand may not stay in lockstep with supply in the short term, but in the longer term, there is still a need for more housing.

So far, in 2023, solid demand is helping mitigate supply-fueled vacancy spikes in most markets. As of June, U.S. apartment occupancy came in at 94.7%, down only 0.1 percentage point since January. By comparison, occupancy fell 1.2 percentage points in the first half of 2022, and then an additional 1.4 percentage points in the second half of the year.

Nearly all major markets reported occupancy rates around or above 93% in June, with the only exceptions being Memphis (92.1%) and San Antonio (92.2%).

Our expectation of performance is that we will reach ten million dollars in revenue servicing the Multifamily industry within a sixty (60) month timeframe. Revenue will be classified into three categories:

- Tennant Turnover = "Recurring Capital"
- Property Enhancements/Up fits = "Nonrecurring Capital"
- New = "New Construction"

Each new location will be designed to service the Multifamily industry. Most stocking items will consist of a core of luxury vinyl plank and carpet, which will be driven by the customer network in each market. The company will look to maximize the utilization of each facility and therefore, will also pursue verticals in Senior, Student, Hospitality (Hotels), and Single-Family Rental in addition to expanding the Builder Division's primary focus of new Single-Family construction within each market. Additional activity will include networking with local developers, general contractors, and architects. **Except for the state of Texas, each location will not be designed to capture Retail sales as an intentional means to reduce overhead for each facility.** The expected startup costs per location will be approximately \$250,000.

The company will look to secure standard lease arrangements (3-5 years) in industrial focused areas that place a premium on warehouses with minimal office space. Within each market, we intend to employ a Sales Representative, Field Representative, Customer Service Representative, Facilities/Logistics Manager, and two Warehouse Associates. Purchasing, Billing and Collections will be managed through the company's headquarters in San Antonio, Texas.

Headed by newly added corporate resources, the Digital Marketing Team along with the Human Resources Manager will define the "services area" (radius) of each market and then lead a forward thinking, inclusive social campaign to identify, and recruit, the best Installers within the region. Further, the company's strategy will be to offer aggressive wages to gain instant rapport in the region. In addition, the company will also look to maximize market opportunities that have been created by recent consolidation within the industry to establish a presence in an expeditious manner. An example would be HD Supply's recent acquisition of Texas based Redi Carpet (Reference Appendix D). This transaction, which is the latest of several deals that signify consolidation occurring within the industry, is also a great exemplar of the flexibility the joint venture strategy offers regarding divestment of assets.

The Joint Venture is designed to lure Human Capital into the company and to forge the company's vision and provide sales leadership. Skip Huddleston and Kim Stinde have been referred by PH Consulting to lead such efforts and the intent is to have both individuals on-boarded prior to February 2024, which will enable them to prepare for expansion and exploit immediate opportunities within the company's current footprint. With extensive experience in the Multifamily space, both Skip and Kim bring the type of industry expertise and personal integrity upon which the Barton Group stakes our reputation.



Skip Huddleston

A 27+-year veteran of the Multifamily industry, Skip started as VP of Residential Operations for an owner-operator based in Charlotte, North Carolina. Skip served on both local and state apartment associations. Skip transitioned to the vendor side of Multifamily with AAPCO Group in 2000. At that time, AAPCO was a distressed, regional general contractor. Skip displayed immediate value by assisting management with implementing new operational procedures along with defining the direction for the company. Skip was also a key participant in the company's re-branding efforts that positioned the company for national growth (vs. regional). With Skip's leadership and overall business acumen AAPCO has experienced growth from \$3 million in 2001 to \$75 million in 2022. In Skip's current role as SVP Business Development, the disbursement of work in progress reflects the nationwide operational footprint of the firm. Skip has developed significant relationships across the spectrum of the Multifamily industry; owner/operators, 3rd party management companies, investment entities and developers. Connections run from C-suite to mid-level executives to on-site operators. Skip resides in Charlotte, North Carolina.



Kim Stinde

Kim started his multifamily career 23 years ago as a National Account Manager for HD Supply covering the West Coast. Kim was later recruited by Pinnacle Realty Management to join them as a VP of Business Development (this one career move shaped his entire multifamily career). Kim also has served in notable executive leadership positions with ConService, Yardi in two different roles, and contributing to the growth and acquisition of Dogwood Building Supply by Ferguson. Kim currently serves as the EVP of Sales for AO Services LLC, a full-service self-performing general contractor focused on Multifamily interior and exterior renovations. In 2023, Kim has added 40 million dollars in interior renovation contracts, over the first 6 months in his position. Kim resides in Phoenix, Arizona.

Validation to this market focused approach has been solidified through recent developments with a San Antonio based general contractor - Galaxy Builders. Galaxy, #25 ranked Multifamily builder by the National Multifamily Housing Council, specializes in multifamily housing throughout Texas. Through an opportunity that was created by a competitor's reckless decision-making, J&R Sales was able to capitalize on its local infrastructure. In August of this year (2023), J&R was awarded three (3) projects in immediate business, which should produce approximately \$3.2 million in revenue with an expected completion date prior to the year-end 2024. For comparison purposes, through seven months (July) the company recorded sales of \$870,000 year to date.

The financial projections established from a “build it from the ground up” budget approach to all known and anticipated costs as well as projected revenue activity from the expansion into new markets.

The newly developed Budget File was established to reflect the basic construct of the Monthly Management Financial Reporting Package that PH Consulting established in first half of 2023 in which we account for the costs associated with the various types of revenue. This invaluable, necessary tool allows for timely financial reporting by providing the management team with essential metrics. Making a commitment to using this instrument, and budgeting on an annual basis, means the management team will hold itself accountable by using the financial plans as our compass, our true north.

With an anticipated average Gross Margin of twenty five percent (25%) the new venture is expected to approach \$100 million in revenue by 2028 while delivering greater than \$9 million of EBITDA - which would more than double the company’s current projected EBITDA in 2023.

For Projected Financial Results for the Multifamily Joint Venture reference Appendix E



PRODUCT LINE EXTENSION (Q4 '24)

Another method to intentionally reduce concentration in the company’s revenue mix is to expand our product offerings to our customers. In recent years, the company has been performing a pseudo beta test (3rd party) of reselling countertops in the Corpus Christi location. With annual sales now averaging greater than \$1MM, the company is looking to grow its service offering by entering the resale of quartz, granite, and other stone materials along with countertop fabrication comprised primarily of made-to-order kitchen and bathroom countertops to tailored dimensions of specific construction or renovation projects.

While the company, and specifically the sales team in Corpus Christi, is excited to enter this new category, it should be noted that this could also be viewed as a defensive move as several of our competitors, both locally and nationally, are already selling clients with multiple product lines to capture a larger share of wallet.

The critical component to move from the beta environment to expanding throughout the company’s footprint is to be able to control the transaction end-to-end. This move to a more manufacturing-based transaction warrants significant research into what fabrication equipment will be purchased to deliver the final product. For this, PH Consulting has led extensive efforts throughout 2023 with the company’s participation and is recommending securing all the needed equipment through Park Industries. Founded in 1953, Park Industries provides full-service solutions to the stone industry and has grown to become North America’s largest stone working equipment manufacturer.

Today’s natural stone fabricators and installers have an impressive arsenal of technology at their disposal. Some say new machines and techniques let them work more efficiently, avoid mistakes, and achieve greater precision, allowing finished products to be delivered to customers faster. Technology also makes it much easier for customers to visualize what their countertop or mantel piece will look like, or even participate in the design process. PH Consulting is recommending that the company should go “all in” regarding taking advantage of the latest advancement in equipment and to offer a state-of-the-art facility to 1) optimize efficiencies within the manufacturing process which will allow us to 2) deliver the best products, competitively priced, while exceeding customer expectations as well as 3) applying pressure to competition.

The latest machinery offered by Park Industries has sensors that collect data and send it to the manufacturer through a cloud-based software system. Technicians can see what the problem is and guide team members to a solution from afar. Gone are the days in which you would have to fly in technicians to fix mechanical glitches that were incredibly expensive, not to mention that your manufacturing would be down until the technicians solved the problem. The machines are now automated and can run unattended, letting workers move on to other tasks.

The company will also utilize digital technology to track inventory, which will include capturing images of every piece of stone and barcode it as soon as it is received to the warehouse. Using a phone or tablet, employees visiting a customer’s home or project site can show them pictures and provide specific information about any piece of marble, granite, onyx, quartz, or limestone in stock. As the design develops back in the shop, workers put together detailed digital photos showing clients where each piece of stone will go before it is cut.



The company will deploy the latest in digital templating. Until five or six years ago, when you wanted a marble or granite kitchen countertop, a worker would come to your home, take measurements, and build a full-scale model with cut-outs for appliances and cabinets. Then they would load the model into a van and take it to the shop, where it was placed over the stone for cutting. Today, many have switched to digital template machines, which use a laser to accurately record measurements. It is faster and comes in handy for tight spaces where it is hard to fit a tape measure. At Brekhus Tile & Stone (Denver, CO), “tape measures are a thing of the past,” said Josh Dacek, the company’s operations general manager.

Digitized measurements from the company’s templating machine are used to program a CNC router and a saw/waterjet machine. The CNC saves time compared to a bridge saw, and the fine-cutting water jet allows workers to use more of a stone slab. “A job that may have taken two full slabs may fit on one because you can nest so much tighter,” Dacek said. That gives customers counters without seams, which many prefer.

Digital equipment also allows Brekhus to show customers photos displaying their countertop design overlaid with the stone before the cut. “The old way, if the customer was looking for vein matching, they would have to come into the shop,” Dacek said. Digital templating will also allow the company to offer products in markets throughout the company’s footprint.

Alejandro Moya has been selected by the company’s management team to lead the fabrication operations. In addition, the plan calls to add a Fabrication Engineer, a Field Representative (to focus on templating and countertop installations), Billing / Logistics / Purchasing Manager, and two additional Fabrication / Warehouse Associates for a total of six additional team members. The company is anticipating utilizing contract labor for all installations.



Alejandro Moya

Alejandro has been in the fabrication and installation of stone products for over 20 years working on numerous projects for both commercial and residential projects. With the benefit of learning the business through manual fabrication, (skills desperately needed w/challenging installations) while also possessing experience with automation, he is an ideal candidate to lead this venture. Alejandro has held previous supervisory roles and possess the following skills: forklift certified, trim carpentry, plumbing, blueprint / architectural renderings competency, Alejandro is also bi-lingual.

All retail sales will be on a prepaid basis and any collection efforts for Builder customers will be handled by the corporate office in San Antonio. An additional advantage of having a completely digital manufacturing environment is that it significantly reduces the company’s dependency on the current strained labor market.

The company anticipates carrying inventory in a variety of stone while also utilizing the wholesale distribution network throughout South Texas. The vision for the design center and showroom is to be a destination shopping experience and has already been solicited by the likes of leading manufacturers such as Cambria. The industry’s top trendsetters consistently install Cambria. Designers use Cambria quartz surfaces to disrupt and define the design landscape. In addition to countertop surfaces Cambria quartz surfaces are perfect for a great number of applications that include shower walls, backsplashes, fireplaces, furniture, backlighting, book matching, wall cladding and yes, flooring.

In addition to a wide array of stone surfaces, select models of sinks and faucets will also be held in inventory as they represent ancillary revenue opportunities. The expected CapEx is approximately \$1.5MM (excluding inventory) to get the fabrication facility fully operational including equipment as well as an industry specific enterprise resource planning software (Stone Profit Systems).

While this move is primarily seen to increase Retail and Builder revenue within the single-family market there are cross-selling opportunities abound throughout all divisions including Multifamily, Commercial as well as expanding our services offerings within the Costco relationship.

Following the conversion of the Corpus Christi facility, the company will look to convert / retrofit showrooms in Laredo, McAllen and Victoria. Initial sales forecasting is focused on the number of households the company can service each year. The company anticipates being able to commence manufacturing by the fourth quarter of 2024 and anticipates the business growing to approximately \$20MM by 2028.

PH Consulting has provided industry financial ratios in Appendix A-2

Future product line expansion opportunities include, but are not limited to, Lighting and Window Treatments, Design Services and Floor Removal services.

For Projected Financial Results Reference Appendix F

REIMAGINE RETAIL (Q1 '25)

Reimagine by definition is a transformative verb, to literally recreate something in a new way that changes the idea of what COULD be. Reimagining is a surprising outcome to a usual situation. To Reimagine Retail is to build an experience for everyday customers to engage in creativity and wonder resulting in relationship building and expanded sales success.

The good news? The company does not have to look very far to recreate itself in the Retail space as it has been performing identical tasks and working within a tried-and-true model with its Costco Division for the previous 12 years.

Retailers looking for new ways to access more consumers and expand their reach have been venturing into shop-at-home programs, including J&R Sales. The idea seems simple enough: a customer schedules an appointment, the retailer sends a sales associate armed with samples out to the home, a sale is made, measurements are taken, and everyone is happy. However, it is a competitive and complex landscape, dominated by companies like Empire Today and 50 Floor, which are expected to see combined sales of roughly \$500 million this year and whose entire business model centers on this strategy. Programs such as these have seen varied results over the years, with some reporting recent gains, especially in 2020 amid the pandemic.

Molyneaux Carpet Tile Wood, based in Verona, Pennsylvania, is an eight-store retailer that has been operating a shop-at-home program since 2002. Co-owner Pat Molyneaux says his company's program came about to reach consumers in metro areas of Pittsburgh where it did not have brick-and-mortar stores. When it launched, he said the company did heavy advertising in the target areas to generate leads. Today, he says the business mix includes about 95% residential and 5% commercial.



Two other retailers that are making it work are Great Floors, which covers states in the Pacific Northwest-Washington, Oregon, Idaho, and Montana-and Worldwide Wholesale Floor Coverings, which services New Jersey.

Jim McKay's voice lights up with excitement when he talks about Great Floors' program. "We went from last February having two people in our company do shop-at-home to 13 across 22 stores," the vice president of sales says.

Both Great Floors and Worldwide are part of the Costco shop-at-home network. As part of that agreement, Costco, which only offers Shaw products in this program, sells its flooring, and then contracts with independent retailers who do the measuring and installation.

McKay says the partnership with Costco allowed them to get into the market faster, and they expect it to continue to grow. Darren Braunstein, vice president of Worldwide, adds that it helped his company build up its shop-at-home business over the past few years, and they have been focused on growth with leads generated through it.

He also says the company has begun expanding beyond Costco and has been offering the service to all its customers. "It's something that maybe people who wouldn't have considered shop-at-home in the past" will now pursue because of reluctance about going into stores due to the pandemic, Braunstein notes.

The company will make a slight pivot, look inward to leverage best practices, and be invigorated by its new approach.

The difference? ***Being serious about Digital Marketing.***

In today's competitive business landscape, digital marketing can provide businesses with a significant advantage over their competitors. By using digital channels to reach and engage with their audience, businesses can differentiate themselves from their competitors and create a more recognizable brand.

"Remodeling revenue is expected to rise at a CAGR of 1.2% to \$117.7 billion over the next five years, as profit is projected to stagnate at 7.1%."

The promotion of various products, services, and brands with the aid of digital channels such as search engines, websites, social media, email, and mobile applications, among others is known as digital marketing. It utilizes various online platforms and technology to reach consumers and drive brand awareness, generating leads, and increasing sales. Increasing internet penetration and smartphone adoption are the primary factors driving the growth of digital marketing. The proliferation of smartphones and the widespread availability of affordable internet services have led to a significant surge in the number of internet users worldwide. This has enabled businesses to target a vast audience by adopting digital marketing strategies, which has boosted the market growth.

The rising focus on data-driven marketing strategies is another key trend propelling the growth of the digital marketing (i.e., pull newly issued construction permit data for a specific campaign). Marketers are increasingly relying on data analytics to gain insights into consumer behavior, preferences, and trends, enabling them to create personalized marketing campaigns that drive customer engagement and conversions. The growing importance of data-driven marketing has also led to an increased demand for marketing automation tools and platforms, which help businesses streamline and optimize their digital marketing efforts.

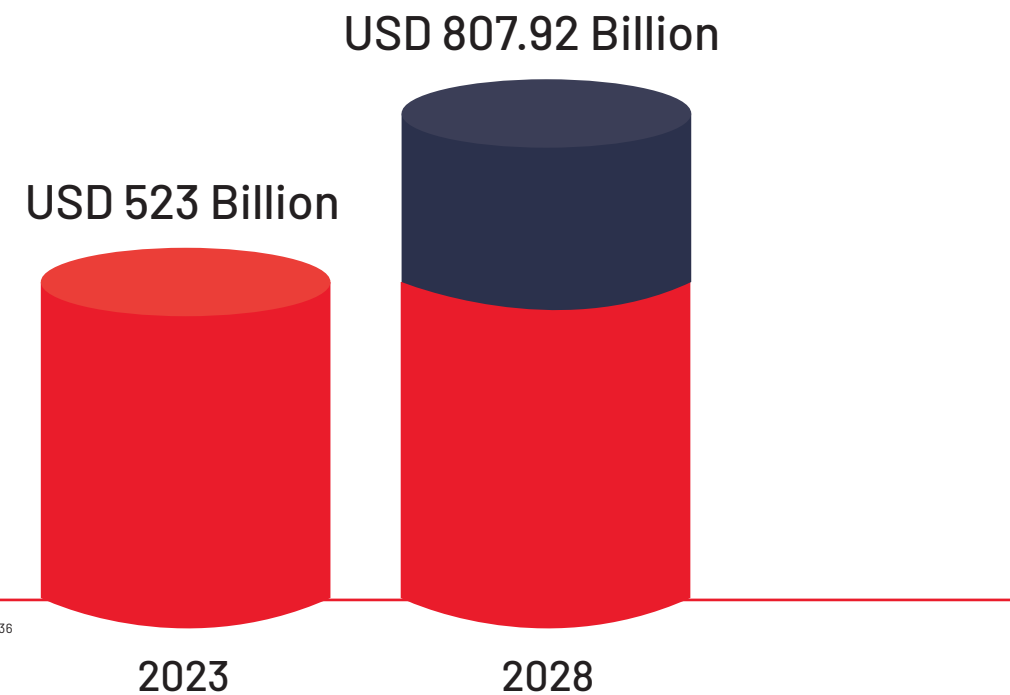
The rapid growth of e-commerce and online shopping has significantly contributed to the expansion of digital marketing. E-commerce businesses heavily rely on digital marketing strategies to attract customers, enhance brand visibility, and boost sales. The increasing competition in the e-commerce sector has further intensified the need for effective digital marketing solutions to stay ahead of the competition. Additionally, the growing emphasis on social media marketing has positively impacted the digital marketing market. The rising popularity of influencer marketing and the growing trend of video content marketing on platforms such as YouTube and TikTok have also spurred the growth of the market for digital marketing.

Aided by the increasing internet penetration and the growing adoption of smartphones, digital marketing is projected to further grow at a CAGR of 9.1% between 2023 and 2028 to reach a value of USD 807.92 billion by 2028.

Global Digital Market

Exhibit C-4

Market forecast to grow at a CAGR of 9.1%



<https://www.researchandmarkets.com/reports/5775236>



Caryn Dunyer

Caryn co-founded cbdMD (NYSE America: YCBD) in 2017 and was acting President of the public company until retiring in 2020. Prior to venturing into the CBD space, she gained over 15 years of experience in operations, sales, marketing, advertising, and digital industries. After receiving her degree, Caryn began her professional career at Hewlett Packard. She became proficient in IT, including various hardware and software solutions. In 2005, Caryn transitioned into the marketing and advertising fields working for a division of the New York Times. In 2011, she joined the Hearst Corporation as a Digital Marketing and Major Accounts Executive.

Caryn has been serving as a fractional CMO in an outsource capacity since August 2023 and has quickly acclimated herself to the opportunity. For this, PH Consulting is recommending Caryn to assume the role of Chief Commercial Officer for a Shop @ Home expansion concept. Because of our with partnership with Costco where leads are filtered to us from a Costco store, we have a successful, existing model for what Caryn can translate into a new Shop @ Home program utilizing digital lead generation. The process would be the same as when we have a Costco lead. A salesperson who would meet the customer in their home, take custom measurements and offer flooring options follows up the lead. For Caryn, this position will be in addition to the expansion of her dual role as CMO for The Barton Group.

Beginning in January 2025, Caryn and her team will officially launch a Shop-at-home concept. The markets and product mix will be defined by the footprint established company wide – meaning we will look to maximize the absorption of overhead from our efforts to expand the multifamily market along with markets in which the company already maintains a Retail presence. The goal is to achieve the highest degree of asset utilization in order to capture a untapped market without sacrificing Contribution Margin.

The plan also calls for Caryn to utilize the company’s infrastructure to perform a six-month trial period (“beta test”) in Austin and San Antonio during the months of June – November in 2024.

It is likely that the company will create a separate legal entity for the Shop @ Home expansion concept to intentionally be separated from its core business. Other than additional Sales Representatives the operating infrastructure will be to build upon the Multifamily expansion and in future years will share overhead on an allocation of revenue basis.

For Projected Financial Results Reference Appendix G

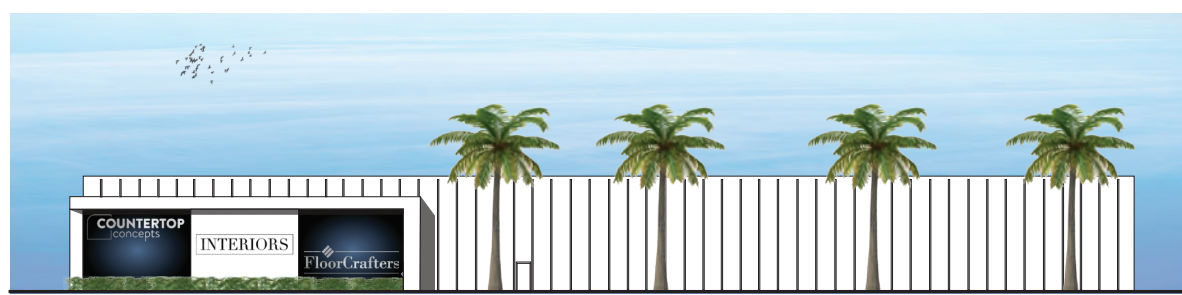
The second way the company is going to reconceptualize its Retail presence is the vision for a destination shopping experience with a state-of-the-art design center and showroom w/multiple product lines. The concept is to offer a higher end, full-service design centric environment vs. the standard floor covering showroom that currently is in place in the existing markets. The intentional goal is to be different!

There will be a major marketing push, in addition to the creation of an affiliate program to local Interior Designers and trendsetters/influencers to utilize these new facilities for their clients. Further, there will be an ongoing effort to manage and upgrade our reputation management online.

As discussed in Market Analysis, kitchen and bath is a significant segment of Remodeling in the US and this design center concept would have most of the floor space dedicated to such opportunity. Generally speaking, this is a “Do-It For-Me Interiors” Concept (vs DIY) and the current Corpus Christi sales staff is primed for this change which is a leading factor for the selection of this market to prove the concept.

CONCEPT ELEVATIONS
YORKTOWN DESIGN CENTER

Exhibit C-5



STREET FACE ELEVATION

GIGNAC | ARCHITECTS



PARKING FACE ELEVATION

The company needs to place an emphasis on its own internal design expertise. According to Sharmaine (“Shay”) Marlar, Builder Design Center Manager, “The company would benefit from placing a greater emphasis of the sales process to originate with the Design Team” When the design team understands the budget, it has the ability to value engineer the proposal fulfilling our value proposition. The need of our customer is met while delivering increased margins for the company. “Overall, the company’s sales process is stagnant” Marlar commented, and claims that the company is routinely missing opportunities to expand its revenue potential due to lack of formal training, a dysfunctional sales structure, and associates simply not following up on leads. “Builders appreciate when the offering is driven by price points that allow all parties to realize anticipated margin vs. putting end user into something that they can’t afford.”

This sentiment that the company had room for improvement in its retail approach was echoed when speaking with trusted partners (Shaw) that service the company. In a recent interview, Bobby Allaway and Chad Stills, both of Shaw Industries, claimed CRT was only grabbing about 5% of the retail flooring business in San Antonio.

According to Marlar there is an opportunity “help design the whole house.” Revenue opportunities would begin with consultation to monetize associate’s expertise and could naturally extend to sinks (in addition to Countertops mentioned above), lighting, window treatments such as blinds, shutters, and curtains to wallpaper, hardware and furniture.

Home prices have increased significantly as the house price index rises, encouraging consumers to undertake additions and home improvement projects to witness a more considerable increase in the value of their homes. As the Federal Reserve eases monetary tightening over the outlook period, remodelers will enjoy an acceleration in residential construction activity as the 30-year conventional mortgage rate decreases.

Households often finance major remodeling projects through second mortgages and higher property values enable homeowners to borrow more considerable sums. Home prices increasing over the outlook period will encourage consumers to invest in their properties through renovations or additions instead of purchasing a new home. As consumer sentiment begins to climb over the outlook period after plummeting over the current period, private spending on home improvements will return to growth and bolster the performance of remodelers.

“The costly nature of kitchen and bathroom remodeling represents an opportunity for remodelers.”

More minor projects typically only upgrade one kitchen section and cost \$6,329. Major kitchen remodels are one of the most expensive remodeling projects and average \$42,816. Major bathroom remodels average \$23,557. With home prices appreciating, more households have been willing to finance these costly upgrades to attract buyers with fully updated appliances and other interior features.

Remodeling in the US
Products & Services Segmentation
Industry revenue in 2023 broken down by key product and service lines.

Source: IBISWorld

Exhibit C-6



Once we see the results of this “proof of concept”, we will replicate it into other markets. Previous lease commitments combined with the anticipated expansion up the 1-35 corridor (see below) along with attentive facilities management will drive this effort overall.

TEXAS FOOTPRINT EXPANSION (Q3 '25; Q3 '26; Q3 '27)

Texas is now home to four of the nation's largest cities, with Austin finally joining Houston, San Antonio, and Dallas on the list of top 10 most populous cities. Texas regularly dominates the Census Bureau's release of annual population growth, and it crossed a new threshold when total population hit 30,029,572 last year, making Texas only the second state, along with California, to pass 30 million. The state's overall population has been on an upward trajectory for decades, fueled by both migration to the state and natural increase, which is the difference between births and deaths.

The last component of the company's growth strategy is to increase capacity by enlarging our Texas footprint. Coordination centered around the company's previous lease commitments will govern the timing of such expansion, but the goals are:

- Dominate Corpus Christi
- Become a true presence in Austin
- Expand north up the I-35 Corridor in "B" Markets

Dominate Corpus Christi

With the anticipated capital investments by the company - it will be a priority to elevate all facets of the Corpus Christi location. The objective is to become the undisputed leader in both flooring and countertop fabrication. As mentioned above (see Reimagine Retail), the vision for the new facility in Corpus Christi is to be a destination shopping experience with a state-of-the-art design center and showroom w/multiple product lines. There will be a major marketing push to local architects, general contractors, interior designers and trendsetters/influencers to utilize these new facilities to cross-promote their services as their will be an ongoing effort to managing and upgrading our reputation management online. Management will be very transparent and inclusive with all associates regarding the transition and will strive to maintain exceptional communication.

There will be a non-recurring capital expense established for Grand Opening events as well as additional advertising commitments over the 12 months preceding the move. Additional budgets will be appropriated for additional staffing needs for both Sales Teams and the new Distribution Center.

"We want to be the undisputed market leader."

The 28-county South Texas region covers about 37,800 square miles in southern Texas, stretching along the Mexican border from Del Rio to Brownsville and up the Gulf Coast past Rockport to Aransas Pass and San Antonio Bay.

The South Texas region includes four metropolitan statistical areas (MSAs): the Brownsville-Harlingen MSA, comprising Cameron County; the Corpus Christi MSA, which includes Aransas, Nueces and San Patricio counties; the Laredo MSA, comprising Webb County; and the McAllen-Edinburg-Mission MSA, comprising Hidalgo County.

Based on location to Victoria, TX, the new Distribution Center will serve as the primary warehouse for Victoria, Corpus Christi, McAllen and Laredo locations.

Bottom Line: We want to be the undisputed market leader. Achieving this goal will fuel the company's trajectory.

Become a true presence in Austin

Similarly, to the company's minimal involvement with the Multifamily division, the sales in Austin, outside of those generated from the Costco relationship, have been borderline anemic. Time to shift that trend. Austin is now the 10th largest city in the United States, and it is in our sights.

For the 12th consecutive year, the Austin-Round Rock-Georgetown metro area was the fastest-growing region in the country, among large metros. The Austin metro area added nearly 63,000 residents between 2021 and 2022, growing at a rate of 2.7%. The Austin metro is the 26th most populous metro area in the country and saw the 6th largest numeric increase in population between 2021 and 2022. Suburban cities are driving population growth in the region and the country. Georgetown, TX was once again the fastest-growing city in the nation, growing at a rate of 14.4% between July 1, 2021, and July 1, 2022. Georgetown expanded by 10,887 residents to a total population of 86,507. Kyle, TX and Leander, TX were the third and fourth fastest-growing cities.

Travis County saw the third largest numeric gain in housing units between July 1, 2021, and July 1, 2022, adding 27,927 new units during this time.

Susan Holland, Regional Sales Manager for Emser Tile, who primarily focuses on Home Builders, claims that the company has significant opportunities in Austin. Bobby Allaway agrees. "Shaw reports that Austin has the highest Average Net Selling Price ("ANSP") per square foot of the largest markets in Texas (Austin #1, Dallas #2, San Antonio #3, Houston #4)." Both Holland and Allaway agree that the company can leverage the company's buying power to steal market share just as it has in San Antonio over the last five years.

Management should prioritize establishing a new Austin presence by no later than October of 2024, which will be coordinated with the Multifamily JV expansion.

Expand north up the I-35 Corridor in "B" Markets

"Go West, young man" is a phrase, the origin of which is often credited to the American author and newspaper editor Horace Greeley concerning America's expansion westward. However, based on the migration patterns over the last ten years and the population growth within the state, the company should "Go North."

Logistically speaking - the company should stay within proximity to the Interstate 35 corridor and look to exploit opportunities in the following markets: New Braunfels / San Marcos; Kyle / Buddha; Round Rock / Georgetown; Killeen / Temple; and Waco.

Management will prioritize establishing a new market presence by no later than July of 2026 and will look to enter an additional market annually through July 2028. Each location will have individual Operating Budgets to be constructed at a later date. Like Austin, the decisions and likely negotiations will be based on grabbing Retail market share as well as expanding the Single-Family Builder and Multifamily markets. Within these smaller (“B” markets) the company may likely occupy smaller store footprints with a heavy Design Center influence.

Note: Any markets in which the company does not have a current presence have been omitted from the Projected Financial Results.

Upon commencement of expansion, we will look to employ proven methods for entering new markets:

Location, Location, Location

Many times, companies choose a location for new expansion based on personal preference and comfort over what is truly best for the business. Consideration beyond convenience to something of greater importance such as the business community that would be conducive for recruiting staff, building partnerships and networking. Looking at proximity to customers, distributors, partners, highway access, etc. comes into play as well.

Become Local

It is very difficult to simply take a successful business from one area and launch it in another market to try and duplicate your previous success in the same manner. It is logical to adapt your organization to its new home by “becoming local.” Develop a plan to acclimate to the local business environment, as many people want to do business with companies that have established local roots. It is important that the leader be open-minded to enable adaptability within the region. Find ways to support those in your new community. Hire people who share your vision and possess the skills for achieving localization. Hire from the top so that this lead person can recruit the right staff and align the company with regional culture. Launching with a localization strategy also teaches you how to customize locally for other areas in the country or other parts of the world.

Establish Your Corporate Culture

When having offices in different regions with people from various backgrounds, it is essential to formulate a cohesive corporate culture across your expanded corporation. You will need a unifying message that builds camaraderie and brings people together with a clear vision and mission for all to aim for. Create an environment where people are proud and excited to do their work. Many organizations neglect to invest in their employees because their focus is on saving time and money or getting the next sale. But your business is comprised of people and avoiding culture-based programs can lead to greater costs in the form of poor communication, work inefficiencies or employee turnover.

Set The Business Pace

Treat your new location as a startup, not as a mature company – despite your previous successes. Time is 100% perishable, so the goal is to be efficient and strive for productivity every day. You want to be fast, agile, and results-oriented – operating with the touch of startup mode. Don’t get bogged down in bureaucratic measures often used by bloated companies; rather, focus on today to make a bigger impact tomorrow. Maintain and flourish with an entrepreneurial mindset that is thinking one-step ahead.

Keep Eyes on Your Vision

The entrepreneurial leader should sustain a focus on the company’s vision and avoid acting as a micromanager, after all, this is why you hire good people who can do good work. Rather, spend your energy understanding how the company might adapt and prosper in the future. The CEO is the internal and external entrepreneurial leader of the company who sets the vision, the mission, and the work ethic, and the new office manager is the local leader on the ground. Just make sure your team is free from work obstacles and is empowered to communicate openly by putting egos aside and ensuring that all are always motivated to pursue the corporate vision and purpose.

These methods are just some of the lessons that we @ PH Consulting have learned over the years on helping to establish the opening and sustainability of a new corporate location.





KEY INITIATIVES

A strategic initiative is a comprehensive plan an organization develops for achieving its strategic goals or long-term deliberate design for improvement and growth. If a goal asks what you want to achieve, a strategic initiative explains how you can achieve it. It's a map routing to your destination. For example, a goal for the company is to expand its customer base, and an initiative for accomplishing this is the recommended pursuit of the Multifamily market.

A strategic initiative can comprise multiple projects, and several strategic initiatives can function together to achieve a larger, more visionary goal. Before executing initiatives, an organization should analyze its current projects to determine how well they align with its strategic goals and remove any projects that can offer no impact on the goals.

At the recommendation of PH Consulting, the implementation of several efforts are already in process. There internal controls are being developed and initiated, and warehouse operations are being overhauled.

There are several kinds of strategic initiatives you can plan and execute. You can categorize these by the level of strategy:

Corporate level

Corporate-level strategies address the question of what markets the organization should compete in.

Business level

Business-level strategies involve actions for succeeding in the market you've chosen. How to gain an advantage over competitors is the primary question being addressed at the business level.

Functional level

The functional level refers to individual departments or teams within the organization. A functional-level strategy aims to improve the processes that contribute to business- and corporate-level strategies.

You can also categorize strategic initiatives based on their function:

Corrective

Corrective initiatives directly address a problem in your organization and seek to fix or remove it. These are often relatively short-term initiatives that allow you to move on to larger, more complex ones. A corrective initiative might address a specific performance gap.

Constructive or Expansive

These initiatives involve new methods, approaches, or directions. Thus, they relate to both business- and corporate-level strategies.

Defensive

Defensive initiatives aim to ensure that you maintain your existing advantages or market positions are maintained. Such initiatives may involve new methods and strategies, but the purpose is to defend against competitors.

Identifying Key Initiatives for an organization is the result of an in-depth examination of the current business model in all its parts with consideration to market analysis and competitor analysis.

Recommendations are based on the company's goals and what it will take to move those goals into sight at a manageable rate that will put the company in a position to not only prosper but to be able to sustain growth in the long term. PH Consulting has prioritized ten initiatives that encompass both strategy and function to move The Barton Group forward on their growth path.

1 RECRUIT AND ONBOARD ADDITIONAL HUMAN CAPITAL

A famous quote by George Doriot, who started one of the first venture capital funds in 1946 claimed he would take an A-Team with a B-idea over a B-Team with an A-idea. Investors bet on people every day. Line up a good idea, traction, go-to-market strategy, sound financials and the like. But, first and foremost, you need a solid team in place. People that have a strong track record of moving ideas into reality are critical to achieving success. If you have a “B” idea, but an “A” team, then the team will quickly realize that they need to improve the idea or abandon it for a different one altogether. In other words, when you have a reliable team, they can pivot as needed to ensure success. It is the power of human capital that attracts investors, knowing that the calculated risk will prove to be a sound one.

The process of measuring human capital readiness starts with identifying the competencies required by the key positions that will be added to the company to execute on the plan. The difference between the requirements and the current capabilities represents a competency gap that defines the human capital readiness of the organization.

Currently, the company is charting the course towards solutions to the “competency gaps” that PH Consulting has identified below. Having excellent, skilled people move into top level positions, we can ensure that those individuals will see the playing field and hire the needed human capital to round out their team.

- **Director of Human Resources (also see Employee Relations below)** - oversees every aspect of a company’s human resources department. Common duties include determining staffing needs; hiring and training new employees; maintaining the company’s organizational chart; recruiting contract labor; keeping track of employee records; overseeing payroll distribution and managing employee performance reviews. Further, the company needs a leader that creates an environment safe for change that attracts and retains employees. This management leader also develops an improvement-seeking culture, assuming it accepts and proceeds with the recommendations contained in this Strategic Plan, must acknowledge that it will be essential to achieve enthusiastic employee buy-in. This position will undoubtedly be a critical change agent to accomplish large-scale, sustainable improvements in productivity and growth. It should be noted that the company has secured the services Acrisure, and IBTX Risk Services (as of October ’23), to begin addressing shortcomings outlined in the Human Resources Assessment (see below and Reference **Appendix H**). The work to be performed will assist in the transition to retain a true thought leader in this discipline. PH Consulting recommends retaining an Executive Search firm to find such individuals, with specific attributes, to lead this discipline going forward.

- **Deputy Finance Director** - serves as key enforcer in day-to-day finance function. This position has a crucial role in the company’s Finance department and is ranked among the executive management team. Common duties include working with external auditors to ensure that accounting practices comply with GAAP; reviewing financial statements or other reports to identify potential risks or issues; preparing forecasts of revenue, expenses, and capital requirements for the organization; managing accounting staff and overseeing day-to-day accounting operations; provide leadership in the development of organizational policies regarding accounting practices, including internal controls; overseeing the

accounting operations of an organization by establishing policies and procedures for accounting staff; monitoring cash flow to ensure that there are sufficient funds available for operating expenses; overseeing accounting staff to ensure that they are performing their jobs effectively and reporting to top management on the financial status of the organization. With the ambitious goals outlined within Phase Next, this position will be a vital position to fill immediately.

- **Information Technology Manager** - the IT manager’s job is to ensure a business’s hardware and software are properly functioning by properly installing and maintaining the system. Common duties include manage a company’s computer systems; manage a company’s information technology; oversee system testing and other computer-related updates; maintain a safe work environment by adhering to security protocols and recovery systems; maintaining of various IT strategies and common practices or advancements; identify problems within the system landscape and evaluate IT operations. Additionally, the IT Manager for The Barton Group needs to provide user support for the one hundred plus associates with the uniqueness of maintaining two ERP systems the company will be utilizing to administer its business operations along with being tasked to implement a company cybersecurity policy. It should be noted that the company has recently secured the services of San Antonio based Resonant Technology Partners (referenced below) to address the concerns PH Consulting uncovered during the initial assessment period which will assist in the transition to retain a true thought leader in this discipline.

- **Director of Field Operations** - spearheads and oversees the daily field operations of the company. They have the authority to make significant decisions based on extensive research and reviews while adhering to company standards and regulations. A requirement of this position would be for the individual to hold a NASCLA certification. The National Association of State Contractors Licensing Agencies (NASCLA) is an association of state agencies that have implemented laws to regulate contractors. Their main objective is to cultivate best practices and create uniformity throughout the organization.

- **Chief Marketing Officer** - is responsible for overseeing a company’s detailed annual advertising and sales strategy. Their duties include developing the structure of the business’s marketing department, approving marketing campaign ideas, measuring both MQL’s and SQL’s, and coordinating marketing efforts with the company’s financial and branding goals. To date, the company has engaged with a fractional CMO.

- **Chief Operating Officer** - is a dual role that combines the functions of chief executive and manager. They design and implement policies to promote company culture and vision and oversee operations to keep businesses on track. The COO role is a key member of the senior management team, reporting only to the Chief Executive Officer (CEO).



2 IMPROVE AND IMPLEMENT INTERNAL CONTROLS

Internal control is relevant to everyone in the workplace. The primary purpose of internal controls is to help safeguard an organization and further its objectives. Internal controls function to minimize risks and protect assets, ensure accuracy of records, promote operational efficiency, and encourage adherence to policies, rules, regulations, and laws. PH Consulting commissioned Pat Pritchett, with PMP Consulting ("PMP"), to provide a comprehensive review of the Company's operations. Pat, who is a credentialed CPA, has twenty (20) years of flooring industry experience with much of that time spent with RollMaster, the company's ERP system. The primary objectives of the review, with prioritization placed on items that possibly impact the upcoming Balance Sheet audit, were as follows:

Reference Appendix H for comprehensive review

- **Business Operations** – J&R Sales currently employs RollMaster Flooring Software as its integrated ERP solution for both business operations and financial reporting. RollMaster offers a comprehensive "cradle to grave" solution (POS->Inventory/Installation->Invoice->Financials) tailored for flooring dealers in J&R Sales primary business segments. The purpose of this review will be to offer comprehensive findings of all the typical RollMaster and flooring business processes performed at both remote and corporate locations, identifying areas where efficiency can be improved through process refinements and better utilization of RollMasters capabilities.

- o **Business Segment Review** – J&R Sales operates within the flooring industry, serving customers in the builder, commercial, multi-family, and retail segments. These segments each have unique ways of assembling and managing the bidding process through the acceptance of the customer orders. However, once the order is confirmed, the operational requirements related to acquisition & management of inventory, installation management as well as the related G & A tasks become more standardized. PMP was challenged to uncover opportunities to maximize efficiency and information quality using RollMaster features and reporting. While respecting each segment's uniqueness, the review uncovered redundancies, where standardization and consolidation will lead to reduced overhead, in addition to more comparable business intelligence.

- o **Billing / Accounting Process Review** – J&R Sales administrative and accounting operations, headquartered in San Antonio, are primarily responsible for customer billing, material and installation claims, and various accounting functions such as A/R (fractional), A/P, and G/L. The review included the billing and credit memo processes, as well as J&R Sales claims processes, to recommend process improvements and industry best practices. Of particular interest is the A/P process, given its critical role in job cost environments to accurate inventory costing and project profitability. The assessment also included a review of the processes for handling subcontractor payroll, PO-related material purchases, and standard business transactions. Ultimately, the goal is to improve the efficiency and accuracy of these processes while ensuring compliance with industry standards and best practices.

- o **Material inventory** – The review also included an initial inspection of current levels of inventory for level of accuracy and potential impairment.

J&R Sales has traditionally conducted "physical" inventories for financial and tax reporting purposes, but there are concerns regarding the completeness, accuracy, and overall effectiveness of past efforts. To address these issues, PMP Consulting is currently in the process of implementing a comprehensive inventory plan that includes conducting physical inventories at each location. In addition to this, PMP will develop standard procedures that J&R Sales can use for future inventory activities to ensure accuracy, completeness, and consistency in reporting. Ultimately, the goal is to provide the company with a reliable inventory system that they can use to effectively manage their operations and make informed business decisions.

In the flooring industry and other job cost environments, surplus or leftover materials are common and tend to accumulate in inventory, which can give a false impression of its true value. While some degree of this is expected due to required production and purchasing lots and the need to retain some materials for warranty purposes, it's crucial to have a regular and systematic review of these items to determine the lower of cost or market.

PMP will evaluate any existing process for writing down impaired or non-saleable inventory and develop a refined process in consultation with the company's management and CLA. This process will include regular and systematic reviews of inventory impairment and obsolescence to substantiate accounting reserves or write-downs. The goal is to ensure that inventory values are accurately reflected in the financial statements and to prevent any false impression of the true value of the inventory.

With the desired outcome to create a Best-in-Class back office, as well as eliminating any material weaknesses, PH Consulting is recommending the documentation of all internal processes under the direction of the newly hired Chief Operating Officer with many of such processes to be centralized within accounting. Highlights will include the centralization of invoicing, billing, and collections; separation of duties; and defined monthly closing activities. An additive benefit to this process will also allow the company to cleanup "bloat" (30+ years of irrelevant data within Operating system). This effort needs to be a priority in 2024.

3 UPGRADE THE IT INFRASTRUCTURE

A solid IT infrastructure is the backbone of any business. It is the foundation that allows for scalability, reliability, and consistency in your daily business activities. A scalable infrastructure enables you to grow your operations. With a scalable architecture, you can easily expand or contract your network depending on your needs. This process also helps standardize processes across departments and locations. If you have multiple offices around the country, having scalable architecture is an essential way to achieve that goal. Within this engagement, PH Consulting commissioned Tom Watson to review and make recommendations regarding the company's current IT infrastructure.

Reference Appendix I for comprehensive review on IT infrastructure

As a result of Tom's review, and his subsequent recommendation, the Company has engaged with Resonant Technology Partners to perform a company-wide assessment to reduce the risk of cybersecurity incidents, protect against data loss, and remove barriers to business expansion. This assessment will involve in-person visits to each of J&R Sales locations to install auditing software on each computer, inventory all IT systems (PC's, network devices, printers, etc.), and identify all IT vulnerabilities.

PH Consulting is recommending the company to prioritize this effort in 2024 with the goal of having enhanced networks, increased security, with redundancies at each location.

4 ENHANCE EMPLOYEE RELATIONS

While the Company has a strong desire to be a solution partner where customers and associates are treated like family as captured in one of the Company's featured tag lines "let our family take care of your family"; a systematic overhaul of its Human Resources Department is required. Early on within this engagement, PH Consulting noticed the deficiency of proper HR structure where the current HR responsibilities are being handled by the CEO of the company due to the lack of other appropriate leadership. With a core value of having long-term staff built through fostering a team environment, it is imperative that the team have leadership management crafting their experience in a way that employees feel safe, heard, and taken care of.

For this, PH Consulting commissioned Lisa Hahn, w/IBTX and Acrisure Company, to perform risk management services. Lisa's focus was to review and examine personnel files as well as other pertinent documents and interact with employees, when necessary. The initial assessment included the following:

- Employee Handbook and Policies
- Onboarding Packet and Process
- Recruitment
- 1-9's
- Record Keeping
- Training
- Performance Management w/specific emphasis on moving to Performance Based Incentives
- Disability Procedures (FMLA +ADA)
- Employee Separation
- Benefits
- Legal Postings

Based on the urging of PH Consulting, as of October 1, 2023, the company has engaged with IBTX to immediately address gaps identified within the HR - Department Improvement Plan that was assembled through the assessment. It is important to note that this is in addition to the recommendation to hire a Director of Human Resources. The thought is this effort will expedite the needed overhaul and provide a smoother transition for the new leader.

The goal is to have a department that routinely uses engagement surveys to be better connected to its workforce; construct employee development programs; enhance recruiting tactics; cultural sensitivity and inclusivity; improved benefits; and a published organizational chart in which there is clarity throughout the entire organization.

Once these important policies, processes and safeguards are in place for employees, we suggest that HR explore the opportunity to revisit the tagline of "let our family take care of your family" and inject the "family roots" spirit of the company into some initiatives that really feel like supportive efforts for employees and their families. These would be extra perks and incentives that allow employees to feel connected and held in a way that builds loyalty to the company and to others who serve it.

Reference Appendix J for the full assessment



5 REFINE WAREHOUSE OPERATIONS

The Company has established multiple locations in Texas and New Mexico to cater to its clients in which each location functions as a mini-business responsible for several activities, including warehousing (receiving, cutting, staging, and shipping). To optimize the operation the Company needs consistency with the existing processes, focusing on enhancing efficiency, standardization, and documentation for training and reference purposes. Additionally, while the Company subscribes to the RollMaster Bar Coding option, it has not yet been fully implemented in San Antonio or even introduced it to its satellite markets. Under the direction of the newly hired Chief Operating Officer, The Company will undergo such effort for tasks mentioned above in addition to optimizing the current utilization of Bar Coding and develop action plans to implement it fully at the primary San Antonio location and remote locations as appropriate.

Further, Key Performance Indicators (“KPI’s”) will be developed to instill metrics within the warehouse operations that are expected to track the optimization of deployed capital (inventory turns) in addition to tighter controls that reduce loss and generally prepare the operation to be “audit ready”.

Please reference Appendix H for assessment findings RE: warehouse

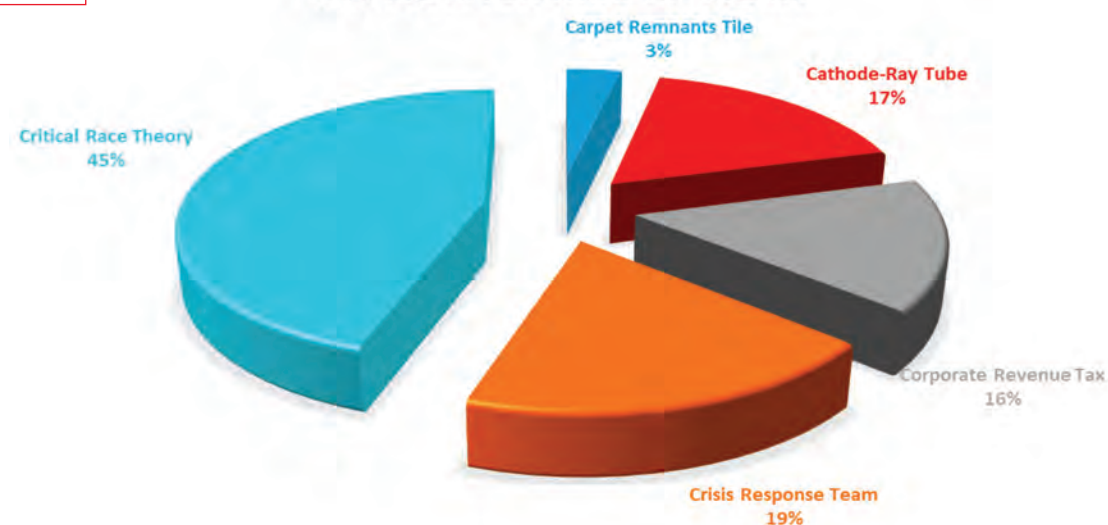
6 REPOSITION BRANDING + REFRESH CURRENT RETAIL FOOTPRINT

As defined in the section The Company, efforts are already underway to draw separation between various Operating Companies (“OpCo”) within the Barton Group.

For this, management has agreed that this effort opens a window to inspect all aspects of the company’s historical brand and retail position. While the acronym CRT, that was created when the first retail store was opened, stands for carpet, remnants and tile had a historical reference to the company’s expansion efforts twenty-five years ago, it does not work in today’s world with the polarizing emergence of Critical Race Theory – especially when it comes to digital online search. In a recent survey conducted via MRP Pollfish, PH Consulting sought to understand the public’s opinion. It was determined that 45% of the respondents thought CRT stood for Critical Race Theory while only 3% understood the actual meaning in this case.

Exhibit D-1

RESPONSES FOR WHAT CRT MEANS



Distinct attributes will be considered within each OpCo as well as if the brand(s) are in a business to business (B2B) or a business to consumer (B2C) channel.

As defined in detail within the Growth Strategy Section, the company will undergo efforts to reposition its consumer branding as well reconceptualizing its retail presence. These efforts will be led by Shay Marlar and Caryn Dunyer and will commence immediately.

Detailed information for the 2024 Retail Marketing Plan can be found in Appendix K.

7 BECOME A DATA DRIVEN COMPANY

To achieve sustained success, we must implement analytics into the business. Traditionally, business decisions are made as a gut-level reaction to what is going on in a company or an industry or even what is going on in the world. It’s hard to blame managers for this approach – if businesses have not been using data to drive their decision-making, they likely never had enough of it to do so. We are living in a time where data is constantly available and updated and it is a crime to ignore using it to our advantage. Because there are so many tools to give us this data, we must assume our competitors at the very least are considering it, and at best, are mastering it for their own advantage.

A data-driven business might not be a perfect fit for every occasion, but it is much better suited to the modern business world than a business that doesn’t use data at all. It’s also a practice that can be adopted incrementally as more and more data becomes available over time. Good business isn’t about luck; it is about making smart bets, taking smart risks. Smart bets can be made on a hunch, of course, but data-driven businesses make the most informed guesses possible before putting their money where their mouth is. There are two primary benefits to this approach:

Being data-driven helps you outperform your competition. While they may not advertise it, many companies operate by reacting to what their competitors do. This is a fast-moving target at best, and something that’s entirely avoidable if you become a data-driven business. A data-driven business predicts what will happen before it happens and gives a head start on the competition. By understanding what customers want and need, a business can proactively provide it before anyone else even knows it exists.

Being data-driven improves customer retention. Happy customers are more likely to stick around, and data-driven businesses know how to make their customers happy. They do this by understanding what makes customers tick and using that information to give them what they want. Data also helps identify unhappy customers before they leave so that businesses can take steps to remedy a precarious situation before it’s too late. Data-driven decisions are based on evidence, not guesswork, so businesses can be more confident in their choices. This leads to better products and services, which, in turn, attracts more customers.

It may seem like a daunting task for organizations to become more data-driven, but with proper focus, planning and leadership, things eventually fall into place. Specifically, business leaders interested in transitioning their organization into a data-driven business can begin by taking the following steps:

Identify your business needs.

Clearly identify the business value in undertaking such an endeavor. For example, improving operational productivity via data standardization. There should be clarity on how this aligns with your organization's broader outlook. In addition, there should be a good sense of the required, existing, and missing data in order to achieve this.

Establish effective change management strategies.

Any organizational transformation requires change, and establishing a data-driven enterprise isn't any different. Business leaders should keep this in mind and follow appropriate steps in sensitizing and aligning their respective organizations. This includes effective communication and engagement with all the various stakeholders in your organization and ensuring other leaders are adequately trained and informed on the broader objectives to facilitate buy-in from the rest of the organization.

Envision what success looks like.

Dare to dream. Have a clear picture of what success would look like. This will inspire and align everyone within the organization towards the goal. Furthermore, to achieve the type of success that truly becomes sustainable, it helps to start small, but think big. For example, you may choose to implement planned changes first within a particular group or unit, and subsequently leverage the lessons learned to scale up and across the entire enterprise.

Business leaders must ensure that the various systems, repositories, and databases that are housing their data are effectively connected for efficient consumption across the entire organization. If the data connectivity isn't established, it could lead to a drop in the overall operational efficiency and resulting performance across the entire organization.

It's not easy for an organization to suddenly make a switch to become more data-driven, but the benefits are worthwhile. By understanding what data is available, integrating it across your organization and using it to make informed decisions, your business can thrive in the digital age.

8 MOVE TO MORE PERFORMANCE BASED COMPENSATION; ENHANCED BENEFITS

For employees, performance-based compensation is a reward for their hard work and acts as an acknowledgment of their contribution to the company as well as functioning as an incentive to stay with the firm. Employees earn a traditional salary, but performance-based compensation seeks to reward them for their high performance above their job requirements. Performance-based compensation at companies is meant to motivate employees to work harder as they will reap the rewards of its success. Historically, the company has awarded bonuses that are arbitrary in every sense.

PH Consulting believes a move in this direction would improve all aspects of the business (i.e. productivity gains, increased sales, etc.) and would be welcomed by the employees. Furthermore, it should heighten awareness of individual contributions.

The company has begun the process of "grass roots" budgeting by division and location and layering on incentives to such a practice will only enhance this effort in years to come.

Examples of such incentives include the following:

- Annual Sales Incentive contest for a company sponsored trip
- Attained KPI's for Operations
- 401k w/contributions tied to Net Income or EBITDA
- Bonus per position tied to Company EBITDA Goals

The company should be thoughtful and deliberate about such a move and PH Consulting suggests that this effort should be led by the newly hired Director of Human Resources to ensure successful implementation.

9 SUCCESSION PLANNING (that includes an employee development program)

While a growth plan prepares your organization for the road ahead, it doesn't help your employees grow with the organization. In other words, having a growth plan without a succession plan is like building a skyscraper and forgetting to add the elevator. Succession planning is a strategy companies use to pass leadership roles down to other employees. An effective succession plan should equip the identified successors with the skills and knowledge they need to fulfill their future roles.

Succession plans are great for both employers and employees alike. Employee development is an essential component of any effective succession plan. In fact, without a strong development aspect to prepare employees for career advancement, a succession plan doesn't work. With a succession plan in place, it can be a win-win for both parties. It is also an insurance policy should anything unexpected happen within leadership. The assurance of having new HR and COO positions in place with a high level of competency means that they would manage hiring for all levels of employees, oversee a program/ curriculum for training and cross training both in person and on video.

Here's how employees can benefit from a well-designed succession plan:

- They'll feel valued: The fact that someone is willing to invest time, effort, and money into their development makes employees feel like they're valued for their potential, not just their current performance.
- They'll gain a sense of purpose: Some organizations serve a noble cause, while others create a sense of ownership with profit sharing or stock options. For those who can't do either, a succession plan provides a clear path to advancement and fights the feeling of aimlessness that creates disengagement and turnover.
- They'll feel more prepared: Whether it's to lead a big project or take on a management role, stepping into the spotlight can be scary. A succession plan helps put employees at ease by creating space and time to ask questions and make mistakes before things get real.

For example, the company operates in multiple markets in which it has a structure that each market is managed by a "Store Manager / Market Leader", some of which have been with the company for several years that have tremendous institutional knowledge. The obvious vulnerabilities exist if a life event occurs and the threats that are present with having a reactionary response / a "hope plan." The effort will also include identifying potential replacements for James B. Barton. For contingency purposes the company has recently secured a Key Man Life Insurance policy to compensate the business in case there is a need to find a successor in an event of death, but this is not a substitute for the need to identify who would be the best candidate to step in and assume duties in the short term.

This effort would be led by the newly appointed Director of Human Resources (See Additional Human Capital).

10 CREATE A DIGITAL ASSET REPOSITORY

Digital Asset Management ("DAM") is both a business process and an information management technology, which creates a centralized system for organizations to organize and access their media and revenue assets. Why is DAM important for the business? DAM is important because it enables staff to utilize a single source of truth to sort, store, share and secure the digital assets they need to conduct important business operations like marketing, business development and branding. Currently, outside of individuals' emails, the company does not have such a process. Further, with the anticipated Product Line extension outlined in the Growth Strategy section - implementing a DAM repository will be essential for managing countertop production (digital takeoffs) in markets outside of Corpus Christi.

The value of a DAM system is amplified when it is integrated with other tools in the business. DAM systems are often at the core of creative processes. They connect creative, collaboration, and project management tools to streamline production. They can also connect web content management software, enterprise content management software and marketing automation software to streamline the customer experience process.

While the foundational DAM functionality revolves around storing, organizing, and distributing a company's digital assets, some products provide advanced organization and search capabilities. At a minimum, the company's DAM would include, but not limited to, the following:

- Provide storage for company-wide rich media files, such as photos, videos, CAD, presentations, and graphics, in a centralized library.
- Allow users to efficiently organize and search assets using media tags or other advanced search capabilities.
- Offer tools for managing rights and permissions of media content for external use and embedding on internal or external websites.
- Save and track the history of previous versions of digital assets and ensure the most updated versions are available to use and distribute.

It also cannot be understated the importance of such infrastructure when and if a divesting opportunity arises and the potential suitors request any/all corporate documents. This effort would be led by the newly hired IT Manager.

Like a project management plan, the plan for your initiative defines the steps you must take to accomplish your goal. Already having determined your milestones, you can break each down into component tasks. For each task, include a deadline and who's responsible for completing it, and note the overall duration of the initiative. With the plan written, you can share it with employees, executives, and other stakeholders so everyone is clear about the roles and actions that need to happen.

Secure buy-in

To carry out the plan, you need all key stakeholders to buy in, or accept and support your initiative. In exchange for their support, you're promising the benefits to the organization outlined in your plan. Introduce and explain the financial and emotional benefits you envision and try to appeal to people's personal values.

Set milestones

Your milestones are like checkpoints on a path. Completing one milestone is an accomplishment that sets you up to begin work on the next, and completion of all your milestones means you've reached your goal.

Monitor progress

Once you've secured buy-in and begun execution of the plan, it's important that you keep track of progress on the initiative. Instruct managers and other supervisors to report regular summaries of their tasks and completion of milestones. This way, you can be sure your initiative is on the right track.

The new COO will take responsibility for overseeing the plan in its entirety. The COO would create a timeline and identify those responsible for achieving the necessary steps along that timeline. Acknowledging the milestones throughout strengthens the buy-in of those involved and helps ensure each step is accomplished by the assigned person. The COO would track and report results as they align with the overall desired results for the strategic plan.

Ultimately, the success of the initiatives is celebrated by the whole company as they move towards the intended growth through set out in the strategic plan.

PROJECTED FINANCIALS

Certain information set forth in this presentation contains “forward-looking information”, including “future-oriented financial information” and “financial outlook”. Except for statements of historical fact, the information contained herein constitutes forward-looking statements and includes, but is not limited to, the (i) projected financial performance of the company; (ii) the expected development of the company’s business, projects, and joint ventures; (iii) execution of the company’s vision and growth strategy, (iv) sources and availability of third-party financing for the company’s projects; (v) completion of the company’s projects that are currently underway, in development or otherwise under consideration; (vi) renewal of the company’s supplier and other material agreements; and (vii) future liquidity, working capital, and capital requirements.

These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements.

Although forward-looking statements contained in this presentation are based upon what management of the company believes are reasonable assumptions (outlined within the Financial Projections Appendices, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

The following projections have been established from a “build it from the ground up” budget approach to all known and anticipated costs as well as projected revenue activity from the prioritization process outlined in the Growth Strategies.

The newly developed Budget File was established to reflect the basic construct of the Monthly Management Financial Reporting Package in which we account for the costs associated with the various types of revenue. This is an invaluable, necessary tool which allows for timely financial reporting by providing the management team with essential metrics. Making a commitment to using this instrument means the management team will hold itself accountable by using the financial plans as our compass, our true north.

The Barton Group Consolidated Summary Profit & Loss Five-Year Forecast

	2024	2025	2026	2027	2028
Revenue					
MultiFamily Joint Venture	3,550,000	19,410,000	44,380,000	75,510,000	95,200,000
Countertops	459,420	4,761,600	7,818,200	10,936,800	15,345,000
Shop @ Home	-	1,800,000	7,290,000	15,390,000	22,050,000
J&R Sales	55,851,181	58,643,740	62,162,364	66,513,730	71,834,828
Other - Corporate	2,135,487	2,212,939	2,306,791	2,418,907	2,551,608
Total Revenue	61,996,087	86,828,279	123,957,355	170,769,437	206,981,436
YOY Growth		40%	43%	38%	21%
Cost of Goods Sold					
Materials	28,950,233	41,596,155	60,818,967	84,990,761	102,649,738
Adjustments (Inventory)	34,052	35,159	36,478	38,028	39,834
Delivery Costs	22,607	32,094	46,344	64,278	77,722
Supplier Rebates	(811,451)	(1,134,916)	(1,671,075)	(2,354,572)	(2,826,039)
Bank Charges	655,881	927,766	1,386,879	1,986,464	2,448,668
Total Materials Cost	28,851,323	41,456,258	60,617,593	84,724,957	102,389,923
Contract Labor	10,546,171	14,558,731	20,787,873	28,670,092	34,461,928
Installer Deductions	-	-	-	-	-
Total Contract Labor	10,546,171	14,558,731	20,787,873	28,670,092	34,461,928
Total Cost of Goods Sold	39,397,494	56,014,989	81,405,466	113,395,049	136,851,851
Gross Margin	22,598,594	30,813,290	42,551,889	57,374,388	70,129,584
<i>GM % of Revenue</i>	36%	35%	34%	34%	34%
Selling Expenses					
Manpower, incl Taxes/Benefits	7,452,204	9,041,240	11,007,191	13,273,354	14,879,504
Advertising	792,578	1,552,647	2,013,850	2,092,935	1,884,062
Promotions	419	432	448	468	490
Other / Shop @ Home Beta Test Samples	115,000	-	-	-	-
	2,038	2,105	2,183	2,276	2,384
Total COGS + Selling Expenses	47,759,733	66,611,413	94,429,139	128,764,082	153,618,292
Contribution Margin	14,236,354	20,216,866	29,528,216	42,005,355	53,363,144
<i>CM % of Revenue</i>	23%	23%	24%	25%	26%
General & Administrative Expenses					
Total G & A Expenses	12,845,999	17,901,231	23,616,080	27,902,765	30,387,706
<i>G & A % of Revenue</i>	21%	21%	19%	16%	15%
EBITDA	1,390,356	2,315,634	5,912,136	14,102,590	22,975,437
<i>EBITDA % of Revenue</i>	2%	3%	5%	8%	11%
CAP EX & inventory Requirements:					
Industrial Warehouse Equipment	2,239,500	986,000	986,000	150,000	150,000
Vehicles - Shop @ Home Fleet	-	600,000	600,000	600,000	600,000
Working Capital - Inventory	744,596	1,314,233	1,792,900	2,555,917	2,095,842
IT Infrastructure	152,500	-	-	195,000	-
Total Other Expenses	3,136,596	2,900,233	3,378,900	3,500,917	2,845,842
Free Cash Flow	(1,746,240)	(584,599)	2,533,236	10,601,673	20,129,595

Due to the corporate restructuring referenced in The Company, and that there will be multiple operating companies, the primary indicator for performance (other than EBITDA) will be based on Contribution Margin. Contribution Margin represents the incremental dollars generated for each type of revenue after deducting COGS and selling expenses associated with the specific revenue type.

To review at this level is essential due to the variety of potential selling expenses from the diversity within the company's revenue types in addition to the emergence of multiple Operating Companies. For example, achieving specific revenue targets within the Shop @ Home model may come because of significantly higher impressions (and cost associated with such mediums), yet such results may not yield the most favorable Contribution Margin even if such products yield attractive gross margins on an individual product basis.

Contribution Margin = Gross Profit (per revenue type) – Variable Selling Expenses

The above formula is also used as a ratio, to arrive at an answer in percentage terms, as follows:

$$\text{Contribution Margin Percentage} = \frac{\text{Gross Profit} - \text{Variable Selling Expenses}}{\text{Sales Revenue}}$$

	Contribution Margin %				
	2024	2025	2026	2027	2028
MF Joint Venture	6.14%	16.60%	18.32%	20.00%	20.81%
Stone Fabrication	40.00%	40.00%	40.00%	40.00%	40.00%
Shop @ Home	0.00%	-16.57%	13.36%	18.02%	20.61%
J&R Sales(CRT)	20.95%	22.47%	24.11%	26.06%	28.29%
	22.36%	15.62%	23.95%	26.02%	27.43%

Note: Excludes any Corporate Revenue

The sales assumptions used within the financial model was a combination of 1) the historical J&R Sales, Inc. structure with a ground up budget approach for 2024; subsequent years were factored based on sales growth estimates of an average of 6.5% with costs growing on average of 4.0% due to recent signs that inflation is starting to normalize; 2) ground up budgeting and sales forecasting based on market expansion for the Multifamily JV, Product Line Extension and Shop @ Home Concepts; and 3) market data projections that looked at both product type as well as distribution channels, both of which are tied to the Sales Strategies to project logic-based percentage growth assumptions in years 2025-2028. Omitted from the model are any increases from future market expansion in Texas from the existing footprint as well as any restructuring that may be a result of the proposed corporate restructuring.

	Sales				
	2024	2025	2026	2027	2028
MF Joint Venture	\$3,550	\$19,410	\$ 44,380	\$75,510	\$95,200
Stone Fabrication	\$459	\$4,762	\$7,818	\$10,937	\$15,345
Shop @ Home	\$ -	\$1,800	\$7,290	\$15,390	\$22,050
J&R Sales(CRT)	\$55,851	\$58,644	\$62,162	\$66,514	\$71,835
	\$59,861	\$84,615	\$121,651	\$168,351	\$204,430

Note: Sales projections above are represented in thousands and excludes any Corporate Revenue

Each product type varies significantly in gross and net profit and net contribution therefore it is important to look at the sales mix and the impact this has on consolidated results. Growth in the Multifamily JV is expected to outpace other Operating Companies by 2028 and the Product Line Extension (Stone Fabrication) is forecasted to grow significantly as a percentage of total sales as we anticipate immediate opportunities with this category.

	% of Sales				
	2024	2025	2026	2027	2028
MF Joint Venture	5.93%	22.94%	36.48%	44.85%	46.57%
Stone Fabrication	0.77%	5.63%	6.43%	6.50%	7.51%
Shop @ Home	0.00%	2.13%	5.99%	9.14%	10.79%
J&R Sales(CRT)	93.30%	69.31%	51.10%	39.51%	35.14%
	100.00%	100.00%	100.00%	100.00%	100.00%

The initial gross margin assumptions were established based on an average of market intelligence and data analytics from both internal and external resources. The results were then benchmarked against several publicly traded competitors. The increase in total weighted GP% is a combination of increases to Other Revenue, driven primarily by the Administration Fee Income into J&R Sales, Inc. (charged to the new Operating Companies) and the projected lift we expect to realize from additional rebate income stemming from the overall increase in total purchases.

	GP %				
	2024	2025	2026	2027	2028
MF Joint Venture	25.00%	25.00%	25.00%	25.00%	25.00%
Stone Fabrication	45.00%	45.00%	45.00%	45.00%	45.00%
Shop @ Home	0.00%	35.00%	35.00%	35.00%	35.00%
J&R Sales(CRT)	33.41%	35.77%	37.13%	38.75%	40.59%
	34.47%	35.19%	35.53%	35.94%	36.40%

Note: Excludes any Corporate Revenue

The general and administrative costs forecasted to implement and execute the newly adopted strategy are based on the anticipation of additional funding to close by March 31, 2024. Please note the numerous supporting schedules contained within the Projected Financial Results in Appendices E, F, & G.

The core business (J&R Sales) remains positive throughout the five-year projection all while absorbing additional investments in Human Capital. Overall financial performance shows steady improvements with the expectation to be operating cash flow positive in 2026 and producing an 11% EBITDA by 2028. Major capital expenditures will be deployed in technology, equipment and working capital for an appropriate build-up of inventory.



DESIRED OUTCOMES

When developing a Strategic Plan, all elements have a function that will bring you closer to your overall desired outcomes. In order to get serious buy-in to move the plan forward, it is imperative that each step (as well as each step's successful end) is clearly articulated and can be followed to reach the intended result. Accomplishing scalability to meet goals in a plan for growth is paramount. A company cannot stay static and expect to make big swings at potential advancement. In the Key Initiatives section, PH Consulting has recommended the critical steps the company will need to implement to achieve the desired results. Start by knowing your desired outcomes and goals for growth as that will directly correlate to how you undertake the plan to arrive at the destination. Below are the desired outcomes we believe will allow for the desired evolution of the company.

1. ENHANCED MANAGEMENT TEAM

As part of the natural maturation process, the business needs to separate ownership from management. Separation of ownership and management is the idea that the owners of a corporation are separate from the individuals who run and manage the day-to-day business of the corporation. The corporation can be managed by a team of skilled professionals that allows for specialization and expertise in each area. Separation allows owners to focus on investing and generating returns while managers focus on running the company and maximizing its value. The ownership can be transferred to another shareholder without disturbing the operations of the corporation. The separation also provides a system of checks and balances to ensure that management acts in the best interest of shareholders. Overall, the separation of ownership and management in a corporation brings sustainability, efficiency, and objectivity which can lead to better performance of the corporation.

For this to eventually occur, the Management Team needs to be expanded with a needs-based approach and given the current state of where the company is today, PH Consulting has established the following expectations to be achieved prior to 2025:

- ✓ Create a "C-Suite"
- ✓ Implement formal Sales Leadership
- ✓ Publish a meaningful Organizational Chart

Albeit one might see these actions as elementary, it is based in reality, and needed to establish the foundation to inject a "culture of accountability" that is absent as of this writing. Once established, the enhanced management team will allow ownership to truly focus on Succession Planning and contingent actions based on management's performance.

2. BEST IN CLASS BACKEND OPERATIONAL STRUCTURE

For the company to reach its future goals, as well as optimizing its current business, having a strong "back office" is mission critical. The back office can be thought of as the part of a company responsible for providing all business functions related to its operations. Despite their seemingly invisible presence, back-office personnel provide essential functions to the business. The back office is an essential part of any firm and associated job titles are often classified under "Operations." Their roles enable and equip front-office personnel to perform their client-facing duties.

The traditional back-office can be broken down into two categories of functions: administrative functions that keep the company running, and customer support functions that directly fulfill the goods and service requests of customers.

Administrative functions typically include:

- Human resources (HR)
- Information technology (IT) / Data Management
- Legal
- Risk Management
- Procurement
- Finance and Accounting

Customer support functions can include, but are not limited to:

- Order fulfillment / Warehouse operations
- Transaction processing
- Document preparation
- Account maintenance
- Client services / Customer onboarding
- Warranty claims / Dispute resolution

With the anticipation of the company addressing several key additions to the company's management team, in addition to the formation of an internal business services company, PH Consulting is recommending that those individuals are provided a blank canvas to create the best possible support structure that will enable the company to truly scale. Separation of duties and process documentation will be in the forefront. Regardless of an organization's size or purpose, process documentation is extremely important. Even if it's a one-man show, looking to the future when processes and employees will be multiplied is paramount. The lack of documented, standard procedures leads to repeated mistakes and continuing inefficiencies at significant costs to the business.

PH Consulting anticipates the following to be implemented by 2025:

- ✓ Documented Processes (ongoing)
- ✓ Training and Cross Training curriculum both in person and through video
- ✓ Safety Program for all warehouse locations + new fabrication operation

The anticipated benefits for the company are far-reaching but will be immediately recognized by internal efficiency gains that result in G&A Expense reduction (as a % of Sales).

3. BECOME THE UNDISPUTED “EMPLOYER OF CHOICE” IN THE FLOOR COVERING & STONE FABRICATION INDUSTRY

Simply put, an employer of choice is a company that candidates, by and large, want to work for. Some of the defining characteristics of employers of choice are strong leadership, competitive pay, engaged workers, meaningful work, and attractive company culture.

There is no one-size-fits-all strategy for becoming an employer of choice. One company’s approach may look very different from another’s, and yet they can both meet the criteria for the distinction. The overarching theme of becoming an employer of choice is being the best employer you can be for the types of employees you want to attract and retain.

Companies that offer plenty of growth opportunities will have an easier time attracting ambitious candidates. Knowing that the organization has the potential to grow can motivate and inspire employees. Candidates are more likely to choose a company where they can stay longer and grow within the organization while learning new skills and furthering their development. Employees want to know that a company is financially stable.

An employer of choice has a great reputation; a big part is employee satisfaction. Recognition is the easiest and most effective way for a company to boost employees’ happiness. Having a good system set up to encourage consistent employee appreciation is a characteristic of an employer of choice.

In anticipation of the company expanding its management team, the Director of Human Resources will be the champion of such effort that will strive to achieve the following:

- ✓ Invigorated Employee Engagement
- ✓ Higher retention
- ✓ Company culture fueled by empowerment and accountability

4. DECREASED RISK(S)

Risk controls are measures taken to identify, manage, and eliminate threats. Companies can create these controls through a range of risk management strategies and exercises. Once a risk is identified and analyzed, risk controls can be designed to reduce the potential consequences. Eliminating a risk—always the preferable solution—is one method of risk control. Loss prevention and reduction are other risk controls that accept the risk but seek to minimize the potential loss (insurance is one method of loss prevention). A final method of risk control is duplication (also called redundancy). Backup servers or generators are a common example of duplication, ensuring that if a power outage occurs no data or productivity is lost.

While the company will face executional risks within the various growth strategies outlined in this strategic plan, the goal is to mitigate the current risks the company faces (outlined in SWOT analysis) daily. Through the assistance of the various partners that performed assessments (reference Appendices H & I) and outlined several vulnerabilities and opportunities for improvement the goal for the company by 2025 is to realize the following:

- ✓ Concentration reductions in Revenue (both by Market and Product/Service)
- ✓ Redundancy via improved infrastructure (network + “process over people reliance”) + mitigation efforts for external cyber threats
- ✓ Eliminate exposure stemming from HR non-compliance

5. CAPACITY EXPANSION + NET INCOME GROWTH

One of the primary objectives of Phase Next is to position the company to be growth focused. To be successful and remain in business, both profitability and growth are important and necessary for a company to survive and remain attractive to investors. The formation of the multiple entities within The Barton Group provides the capacity to expand and allows the company to maximize its true potential while gaining leverage over its fixed costs.

PH Consulting anticipates the following to be fully established by 2028:

- ✓ Multiple avenues of growth
- ✓ Stable, recurring cash flows (min 10% EBITDA)
- ✓ High Quality of Earnings (Audit ready)

The stated Desired Outcomes are of great magnitude for this company. We must embrace the fullness of this moment as we step forward. We have to be reminded that our company values include welcoming growth opportunities. This was a hallmark of who Jay Barton was as a salesman and we continue that legacy by being a better company through expansion and strengthening our offerings to partners and customers. The heart of Phase Next is creating value for both The Barton Group and those we serve. We are taking calculated risks for beneficial rewards. Our values as a company state that we are actively engaged and looking ahead. These Desired Outcomes define how we fulfill that promise, how if we follow a well-researched and carefully navigated plan, we will reach our true potential as an industry standout.



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APPENDIX A

INDUSTRY FINANCIAL BENCHMARKS

Financial Ratios

Industry Multiples

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
EBIT/Revenue	10.7	10.0	9.8	12.7	18.5	13.7	12.3	11.3
EBITDA/Revenue	15.5	14.9	14.6	16.5	27.3	19.5	17.8	16.3
Leverage Ratio	3.4	3.2	6.8	3.2	2.1	4.0	3.8	3.6

Industry Tax Structure

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
Taxes Paid/Revenue	3.3	3.0	3.1	3.0	3.0	3.1	3.1	3.1

Income Statement

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
Total Revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Business receipts	95.7	96.3	96.1	93.7	77.6	89.1	91.9	93.7
Cost of goods	46.6	47.4	45.9	47.2	47.1	46.8	46.8	48.2
Gross Profit	53.4	52.6	54.1	52.8	52.9	53.2	53.2	51.8
Expenses								
Salaries and wages	14.2	14.6	15.1	13.6	13.6	14.1	14.2	13.6
Advertising	2.9	2.8	2.8	2.6	2.7	2.7	2.8	2.7
Depreciation	1.8	1.4	1.6	1.6	1.6	1.6	1.6	1.7
Depletion	0.0	0.1	0.0	0.0	0.8	0.3	0.2	0.1
Amortization	3.1	3.4	3.2	2.3	6.4	3.9	3.7	3.2
Rent paid	3.6	3.5	3.6	3.7	3.7	3.7	3.6	3.6
Repairs	0.6	0.7	0.7	2.0	1.0	1.2	1.0	0.8
Bad debts	0.7	0.3	0.5	0.3	0.2	0.3	0.4	0.7
Employee benefit programs	2.7	2.8	2.8	1.9	3.5	2.7	2.7	2.6
Compensation of officers	3.6	3.7	3.8	2.1	7.0	4.3	4.0	3.8
Taxes paid	3.3	3.0	3.1	3.0	3.0	3.1	3.1	3.1
Interest Income	2.1	1.6	1.6	2.5	4.9	3.0	2.5	2.5
Other Income								
Royalties	3.0	2.8	2.7	2.7	4.8	3.4	3.2	3.1
Rent Income	1.7	2.2	1.9	1.2	0.6	1.2	1.5	1.4
Net Income	5.6	5.5	5.0	4.8	4.9	4.9	5.2	5.1

Balance Sheet

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
Assets								
Cash and Equivalents	8.8	6.8	10.2	7.4	6.3	7.9	7.9	8.2
Notes and accounts receivable	10.7	9.9	10.5	18.1	19.2	15.9	13.7	11.9
Allowance for bad debts	0.7	0.8	0.8	1.4	1.4	1.2	1.0	0.9
Inventories	47.0	48.5	43.1	39.6	37.7	40.1	43.2	48.1
Other current assets	6.7	4.0	6.2	5.7	6.2	6.0	5.8	6.7
Other investments	3.7	19.6	11.3	8.3	3.8	7.8	9.3	7.2
Property, Plant and Equipment	54.7	57.7	48.3	38.4	32.1	39.6	46.3	30.9
Accumulated depreciation	30.9	33.4	28.2	27.3	21.9	25.8	28.3	23.2
Intangible assets (Amortizable)	27.9	33.6	27.6	23.9	20.7	24.1	26.7	20.8
Accumulated amortization	1.3	2.1	0.9	7.3	5.9	4.7	3.5	3.2
Other assets	3.8	3.3	14.0	6.6	6.3	9.0	6.8	4.9
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Accounts payable	9.2	9.7	7.9	15.3	16.0	13.1	11.6	11.2
Liabilities and Net Worth								
Mort, notes, and bonds under 1 yr	12.1	9.5	10.0	16.0	15.3	13.8	12.6	16.0
Other current liabilities	15.8	14.5	13.4	10.9	10.5	11.6	13.0	11.6
Loans from shareholders	16.0	24.9	19.9	15.4	12.8	16.0	17.8	14.8
Mort, notes, bonds, 1 yr or more	28.7	22.9	19.5	26.2	24.8	23.5	24.4	27.9
Other liabilities	12.5	9.2	10.6	8.6	9.6	9.6	10.1	8.5
Total liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Capital stock	7.6	10.4	8.6	2.3	3.3	4.7	6.4	5.1
Additional paid-in capital	24.4	52.3	38.6	25.6	15.8	26.7	31.3	23.4
Retained earnings, appropriated	2.4	0.6	0.6	0.7	0.5	0.6	1.0	0.7
Retained earnings-unappropriated	12.5	9.2	10.6	11.5	13.7	11.9	11.5	15.4
Cost of treasury stock	7.9	4.0	6.4	8.0	7.2	7.2	6.7	9.0
Net worth	7.4	12.1	15.6	16.5	13.1	15.1	12.9	11.9

Liquidity Ratios

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
Current Ratio	2.0	2.1	2.3	1.8	1.8	2.0	2.0	2.0
Quick Ratio	0.8	0.7	0.9	0.9	0.9	0.9	0.8	0.8
Sales/Receivables	17.5	21.0	9.5	10.5	9.3	9.8	13.5	17.8
Days' Receivables	20.8	17.4	38.4	34.8	39.4	37.5	30.2	24.4
Days' Inventory	196.5	180.1	342.4	160.9	164.4	222.6	208.9	202.9
Inventory Turnover	1.9	2.0	1.1	2.3	2.2	1.9	1.9	1.9
Payables Turnover	9.5	10.1	5.8	5.9	5.2	5.6	7.3	8.4
Days' Payables	38.6	36.0	63.1	62.2	69.6	65.0	53.9	46.8
Sales/Working Capital	3.6	4.0	2.1	4.1	3.3	3.1	3.4	3.5

Coverage Ratios

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
Interest Coverage	622.7	570.8	426.7	391.6	360.4	392.9	474.5	484.6
Debt Service Coverage Ratio	0.8	0.3	0.4	0.2	0.3	0.3	0.4	1.1

Leverage Ratios

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
Fixed Assets/Net Worth	17.0	11.4	7.4	6.3	6.5	6.7	9.7	7.8
Debt/Net Worth	13.6	8.3	6.4	6.0	7.6	6.7	8.4	9.1
Tangible Net Worth	0.1	0.1	0.2	0.2	0.1	0.2	0.1	0.1

Operating Ratios

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
Return on Net Worth, %	272.2	170.9	63.0	146.2	251.9	153.7	180.8	189.9
Return on Assets, %	20.1	20.7	9.8	24.2	32.9	22.3	21.5	21.0
Sales/Total Assets	1.9	2.1	1.0	1.9	1.8	1.6	1.7	1.9
EBITDA/Revenue	15.5	14.9	14.6	16.5	27.3	19.5	17.8	16.3
EBIT/Revenue	10.7	10.0	9.8	12.7	18.5	13.7	12.3	11.3

Cash Flow & Debt Service Ratios (% of sales)

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
Cash from Trading	47.9	51.6	41.0	66.2	53.5	53.6	52.0	51.9
Cash after Operations	23.8	27.0	16.2	39.1	25.1	26.8	26.3	27.4

Net Cash after Operations	18.4	24.6	8.0	43.6	27.7	26.4	24.5	24.9
Debt Service P&I Coverage	1.5	2.6	0.5	2.6	1.2	1.4	1.7	1.8
Interest Coverage (Operating Cash)	9.9	16.9	4.8	9.0	2.6	5.5	8.7	10.9

Key Ratios

Year	Revenue per Employee (\$)	Revenue per Enterprise (\$ million)	Employees per Estab. (Units)	Employees per Ent. (Units)	Average Wage (\$)	Wages/Revenue (%)	Estab. per Enterprise (Units)	IVA/Revenue (%)
2004	293,284	1.3	4.3	4.5	46,122	15.7	1.1	19.1
2005	310,023	1.4	4.2	4.5	47,739	15.4	1.1	18.8
2006	312,577	1.5	4.5	4.7	48,424	15.5	1.1	19.3
2007	295,045	1.3	4.0	4.3	46,776	15.9	1.1	19.2
2008	275,943	1.1	3.8	4.0	43,857	15.9	1.1	17.4
2009	258,037	1.0	3.5	3.7	40,978	15.9	1.1	16.7
2010	259,903	0.9	3.4	3.6	40,362	15.5	1.1	17.8
2011	275,216	1.0	3.3	3.5	41,100	14.9	1.1	16.7
2012	286,702	1.0	3.3	3.5	41,604	14.5	1.1	18.1
2013	312,726	1.1	3.3	3.6	43,271	13.8	1.1	17.3
2014	313,682	1.2	3.5	3.7	43,803	14.0	1.1	18.1
2015	329,554	1.3	3.6	3.9	46,164	14.0	1.1	18.1
2016	331,273	1.3	3.7	4.0	47,202	14.2	1.1	18.8
2017	344,268	1.4	3.8	4.2	47,934	13.9	1.1	18.1
2018	353,351	1.5	3.9	4.3	48,064	13.6	1.1	17.2
2019	352,488	1.5	4.0	4.4	48,560	13.8	1.1	17.3
2020	351,232	1.5	4.0	4.4	48,524	13.8	1.1	17.4
2021	349,955	1.5	4.0	4.4	48,488	13.9	1.1	17.4
2022	340,964	1.5	4.0	4.4	48,238	14.1	1.1	17.6
2023	332,346	1.4	3.9	4.3	47,995	14.4	1.1	17.9
2024	328,070	1.4	3.9	4.2	47,871	14.6	1.1	18.0
2025	324,263	1.4	3.8	4.2	47,760	14.7	1.1	18.1
2026	322,220	1.3	3.8	4.2	47,699	14.8	1.1	18.2
2027	320,485	1.3	3.8	4.1	47,648	14.9	1.1	18.2
2028	318,805	1.3	3.7	4.1	47,598	14.9	1.1	18.3
2029	317,393	1.3	3.7	4.1	47,556	15.0	1.1	18.3

Financial Ratios

Industry Multiples

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
EBIT/Revenue	7.1	6.6	6.4	5.6	4.8	5.6	6.1	4.5
EBITDA/Revenue	8.7	8.5	8.3	7.8	6.7	7.6	8.0	6.0
Leverage Ratio	5.9	5.7	6.0	6.4	8.0	6.8	6.4	5.9

Industry Tax Structure

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
Taxes Paid/Revenue	1.5	1.5	1.5	1.6	1.6	1.6	1.5	1.6

Income Statement

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
Total Revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Business receipts	97.5	99.6	98.5	98.2	98.3	98.3	98.4	98.1
Cost of goods	70.2	72.2	70.1	66.7	67.5	68.1	69.3	70.2
Gross Profit	29.8	27.8	29.9	33.3	32.5	31.9	30.7	29.8
Expenses								
Salaries and wages	9.5	9.7	9.7	8.9	8.7	9.1	9.3	9.2
Advertising	0.6	0.5	0.5	1.0	1.0	0.8	0.7	0.7
Depreciation	1.5	1.7	1.7	2.0	1.6	1.8	1.7	1.4
Depletion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	0.2	0.2	0.2	0.3	0.3	0.3	0.2	0.2
Rent paid	1.6	1.7	1.7	1.9	1.8	1.8	1.7	1.8
Repairs	0.6	0.6	0.6	0.3	0.2	0.4	0.4	0.5
Bad debts	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.2
Employee benefit programs	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Compensation of officers	1.8	1.6	1.6	1.5	1.7	1.6	1.7	1.9
Taxes paid	1.5	1.5	1.5	1.6	1.6	1.6	1.5	1.6
Interest Income	0.2	0.1	0.1	0.3	0.4	0.3	0.2	0.4
Other Income								
Royalties	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0
Rent Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	4.5	4.3	4.2	3.0	2.3	3.2	3.6	1.6

Balance Sheet

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
Assets								
Cash and Equivalents	10.5	9.1	10.9	5.7	5.8	7.4	8.4	8.6
Notes and accounts receivable	19.1	19.0	18.4	18.9	17.6	18.3	18.6	18.5
Allowance for bad debts	0.5	0.6	0.7	1.2	1.3	1.0	0.8	0.7
Inventories	24.7	23.7	24.0	21.8	21.7	22.5	23.2	23.1
Other current assets	6.9	8.6	7.9	6.1	6.0	6.7	7.1	6.5
Other investments	8.2	11.1	11.6	18.8	21.2	17.2	14.2	13.3
Property, Plant and Equipment	38.5	35.8	37.5	31.3	30.3	33.0	34.7	35.1
Accumulated depreciation	23.6	21.2	23.0	18.8	18.1	20.0	20.9	22.3
Intangible assets (Amortizable)	6.7	7.1	6.9	9.9	11.9	9.6	8.5	7.6
Accumulated amortization	1.0	1.0	1.1	2.5	3.0	2.2	1.7	1.8
Other assets	6.6	5.2	4.4	6.9	7.3	6.2	6.1	8.6
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Accounts payable	11.8	10.5	11.1	13.9	13.0	12.7	12.1	12.0
Liabilities and Net Worth								
Mort, notes, and bonds under 1 yr	5.9	5.2	6.1	11.4	11.4	9.6	8.0	6.7
Other current liabilities	12.0	14.5	14.5	9.1	9.3	11.0	11.9	11.4
Loans from shareholders	3.7	3.0	3.0	7.4	8.0	6.1	5.0	4.9
Mort, notes, bonds, 1 yr or more	25.1	27.6	24.3	23.6	24.7	24.2	25.1	28.9
Other liabilities	3.6	3.5	4.1	9.8	9.7	7.9	6.1	4.9
Total liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Capital stock	2.3	2.2	2.0	0.9	2.3	1.7	1.9	2.2
Additional paid-in capital	16.2	15.2	14.4	20.1	24.1	19.5	18.0	16.8
Retained earnings, appropriated	0.4	0.3	0.3	0.7	0.7	0.6	0.5	0.4
Retained earnings-unappropriated	11.1	11.1	11.1	14.7	13.9	13.2	12.4	12.1
Cost of treasury stock	4.1	3.4	3.3	5.1	5.9	4.8	4.4	3.9
Net worth	38.0	35.7	36.9	27.8	29.5	31.4	33.6	32.0

Liquidity Ratios

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
Current Ratio	2.1	2.0	2.0	1.6	1.6	1.7	1.9	1.9
Quick Ratio	1.2	1.2	1.2	1.0	1.0	1.1	1.1	1.2
Sales/Receivables	10.2	10.9	10.8	10.5	10.6	10.6	10.6	10.0
Days' Receivables	35.7	33.4	33.7	34.6	34.6	34.3	34.4	37.0
Days' Inventory	65.9	57.9	62.8	59.9	63.1	61.9	61.9	66.0
Inventory Turnover	5.5	6.3	5.8	6.1	5.8	5.9	5.9	5.6
Payables Turnover	11.6	14.3	12.6	9.5	9.6	10.6	11.5	11.0
Days' Payables	31.5	25.6	28.9	38.3	37.8	35.0	32.4	34.3
Sales/Working Capital	5.9	6.3	6.1	7.0	6.6	6.6	6.4	6.0

Coverage Ratios

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
Interest Coverage	534.7	668.4	460.9	444.0	425.4	443.4	506.7	393.6
Debt Service Coverage Ratio	0.9	0.8	0.7	0.1	0.1	0.3	0.5	0.4

Leverage Ratios

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
Fixed Assets/Net Worth	1.9	1.9	1.9	2.5	2.4	2.3	2.1	2.3
Debt/Net Worth	2.6	2.8	2.7	3.6	3.4	3.2	3.0	3.2
Tangible Net Worth	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3

Operating Ratios

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
Return on Net Worth, %	36.3	38.1	34.7	39.9	30.2	34.9	35.8	27.0
Return on Assets, %	13.8	13.6	12.8	11.1	8.9	10.9	12.0	8.4
Sales/Total Assets	1.9	2.1	2.0	2.0	1.9	1.9	2.0	1.8
EBITDA/Revenue	8.7	8.5	8.3	7.8	6.7	7.6	8.0	6.0
EBIT/Revenue	7.1	6.6	6.4	5.6	4.8	5.6	6.1	4.5

Cash Flow & Debt Service Ratios (% of sales)

Ratio	2017	2018	2019	2020	2021	3-Year	5-Year	10-Year
Cash from Trading	28.6	29.0	28.8	33.2	31.9	31.3	30.3	29.7

IBISWorld | Tile & Marble Stores in the US

Sep 2023

Net Cash after Operations	13.1	13.3	14.1	19.4	17.5	17.0	15.5	14.7
Debt Service P&I Coverage	2.3	2.7	2.5	2.3	2.0	2.2	2.3	2.2
Interest Coverage (Operating Cash)	12.3	16.7	18.2	20.5	18.4	19.0	17.2	13.2

IBISWorld | Tile & Marble Stores in the US

Sep 2023

Key Ratios

Year	Revenue per Employee (\$)	Revenue per Enterprise (\$ million)	Employees per Estab. (Units)	Employees per Ent. (Units)	Average Wage (\$)	Wages/Revenue (%)	Estab. per Enterprise (Units)	IVA/Revenue (%)
2004	146,098	1.4	8.0	9.5	16,566	11.3	1.2	15.5
2005	150,743	1.5	8.1	9.7	16,525	11.0	1.2	14.9
2006	143,469	1.5	8.4	10.2	17,339	12.1	1.2	15.8
2007	137,323	1.2	7.3	8.8	16,890	12.3	1.2	15.4
2008	123,180	1.0	7.1	8.5	15,952	12.9	1.2	14.3
2009	117,575	0.9	6.3	7.5	16,201	13.8	1.2	14.7
2010	120,232	0.9	6.0	7.1	16,087	13.4	1.2	14.7
2011	121,093	0.8	5.9	7.0	15,804	13.1	1.2	16.0
2012	125,766	0.8	5.5	6.5	16,208	12.9	1.2	16.5
2013	125,550	0.9	5.8	6.8	15,804	12.6	1.2	16.4
2014	122,340	0.8	5.9	6.9	15,265	12.5	1.2	16.8
2015	119,980	0.9	6.0	7.2	14,476	12.1	1.2	16.9
2016	118,014	0.9	6.3	7.5	14,543	12.3	1.2	17.5
2017	116,475	0.9	6.5	7.6	13,490	11.6	1.2	17.2
2018	115,148	0.9	6.7	7.8	13,267	11.5	1.2	16.7
2019	111,455	0.9	6.8	7.9	12,884	11.6	1.2	16.6
2020	120,007	1.0	6.9	8.1	13,497	11.2	1.2	16.5
2021	121,997	1.0	7.1	8.3	13,542	11.1	1.2	16.5
2022	120,595	1.0	7.1	8.3	13,512	11.2	1.2	16.4
2023	118,940	1.0	7.1	8.3	13,475	11.3	1.2	16.4
2024	117,671	1.0	7.0	8.3	13,445	11.4	1.2	16.4
2025	118,081	1.0	7.1	8.3	13,455	11.4	1.2	16.3
2026	119,034	1.0	7.2	8.4	13,476	11.3	1.2	16.3
2027	119,695	1.0	7.2	8.5	13,491	11.3	1.2	16.3
2028	119,965	1.0	7.2	8.5	13,498	11.3	1.2	16.3
2029	120,407	1.0	7.3	8.6	13,508	11.2	1.2	16.2



APPENDIX B
MULTIFAMILY COMPETITORS LIST

2023 Apartmentalize Exhibitors

Dixie Carpet Installation, Inc.

13450 S. Gessner Rd.
Missouri City, TX 77489
www.dixiecarpetr.com

Locations: Houston, Dallas, Austin, San Antonio, Corpus Christi, Denver, Atlanta, Phoenix, Greenville, Columbia (Coming soon: Charlotte)

Elite Flooring

3110 Crossing Park Rd.
Norcross, GA
www.elitefloor.com

Locations: Atlanta, Charlotte, Columbus, Greensboro, Greenville, Nashville, Raleigh, Tampa, Orlando

Impact Property Solutions

2325 Beltline Rd.
Carrollton, TX 75006
www.impactpropertysolutions.com

(recently merged with Cutting Edge Carpet out of Florida)

Interior Logic Group Property Services

4500 SE Criterion Ct. Suite 100
Portland, OR 97222
<http://interiorlogicgroup.com/propertyservices>

Locations: Atlanta, Albuquerque, Austin, Baltimore, Boston, Charlotte, Dallas, El Paso, Houston, JAX, Las Vegas, Los Angeles, Miami, Modesto, CA, Newark, Orlando, Phoenix, Portland, Raleigh, Reno, Riverside, CA, Sacramento, Salt Lake City, San Antonio, San Diego, San Francisco, Seattle, Stockton, Tucson, Tampa, Washington DC

MultiFamily Solutions

811 Livingston Ct., Suite A
Marietta, GA 30067
www.feigroup.com

Rasa Floors (a Martin Greenbaum Company)

2833 Eisenhower St. Suite 100
Carrollton, TX 75007
<https://www.rasafloors.com>

Locations: DFW, Houston, Austin, San Antonio, East TX/Shreveport, Waco, Corpus/Victoria, Rio Grande Valley, College Station, Tulsa, OK City, Phoenix

Real Floors

560 Webb Industrial Dr.
Marietta, GA 30062
www.realfloors.com

Locations: Albuquerque, Atlanta, Austin, Birmingham, Charlotte, Colorado Springs, Columbia, SC, Denver, Greenville, Houston, Huntsville, AL, Inland Empire, CA (Riverside/San Bernardino County), JAX, Knoxville, Las Vegas, Macon, GA, Mobile, Nashville, Orlando, Phoenix, Raleigh, San Antonio, San Diego, Miami (all S. FL), Tampa, Tucson

Redi Carpet

10101 Fountaingate Dr,
Stafford, TX 77477
www.redicarpet.com

Locations: Atlanta, Austin, Charlotte, Chicago, Cincinnati, DFW, DC Metro, Denver, Greensboro, Houston, Indianapolis, JAX, Kansas City, Las Vegas, New England (based in Mass.), NY/NJ, OK City, Orlando, Philadelphia, Phoenix, Raleigh, Richmond, Riverside, CA, Sacramento, Salt Lake City, San Antonio, San Diego, San Francisco Bay, South Florida, Tampa, Tucson, Tulsa, VA Beach (Tidewater), Wilmington, NC

Rite Rug

4450 Poth Rd.
Columbus, OH 43213
<https://www.writerug.com>

RM Interiors

2925 N Norwalk
Mesa, AZ 85215
www.rmiflooring.com

Locations: Raleigh, Charlotte, Atlanta, JAX, Orlando, Tampa, OK City, San Antonio, Houston, DFW, Denver, Phoenix, Las Vegas, Sacramento, Seattle

Southeast Floors

1905 Premier Row
Orlando, FL 32809
www.southeastfloors.com

Locations: Orlando, Tampa, JAX, Ft Myers, South FL (Pompano), Savannah

APPENDIX C

TOP 50 U.S. FLOORING RETAILERS

Top 50 U.S. Flooring Retailers

(reported by Floor Covering Weekly)

2022 (Rank)	Company	Corporate Headquarters	Revenue (in millions)	Locations
1	Artisan Design Group (ADG)	Dallas, TX	\$ 1,650.0	90
2	Rite Rug	Columbus, OH	\$ 497.0	36
3	Redi Carpet	Stafford, TX	\$ 457.3	36
4	Atlanta Flooring Design	Omaha, NE	\$ 204.0	11
5	America's Floor Source	Columbus, OH	\$ 191.0	9
6	Nebraska Furniture Mart	Omaha, NE	\$ 185.0	4
7	Contract Furnishings Mart	Tigard, OR	\$ 159.3	17
8	Carpet Exchange / OSF Investments	Denver, CO	\$ 156.1	19
9	Avalon Flooring	Cherry Hill, NJ	\$ 138.5	17
10	Artisent Floors	Memphis, TN	\$ 100.0	15
11	PS Wholesale Floors	Baton Rouge, LA	\$ 99.5	12
12	TF Andrew Carpet	New Rochelle, NY	\$ 95.0	5
13	31st Street Capital	Lincoln, NE	\$ 89.7	50
14	Touch of Color Flooring	Harrisburg, PA	\$ 87.0	6
15	Mill Creek Carpet & Tile	Tulsa, OK	\$ 81.0	16
T16	R.C. Willey Home Furnishings	Salt Lake City, UT	\$ 75.0	10
T16	S&G Discount	Rocklin, CA	\$ 75.0	8
T18	H.J. Martin & Son	Green Bay, WI	\$ 74.0	2
T18	KW Flooring	Cincinnati, OH	\$ 74.0	20
20	CAP Carpet, Inc.	Wichita, KS	\$ 67.2	13
21	Dillabaugh's Flooring America	Boise, ID	\$ 65.5	4
22	Carpets N More	Las Vegas, NV	\$ 65.0	3
T23	Dalton Wholesale Floors	Adairsville, GA	\$ 62.0	8
T23	Macco's Floor Covering	Green Bay, WI	\$ 62.0	7
T23	The Floor Store, Inc.	Richmond, CA	\$ 62.0	10
26	Floor Covering Associates, Inc.	Shorewood, IL	\$ 60.9	5
27	ICC Floors	Indianapolis, IN	\$ 60.0	3
28	Star Flooring & Decorating	Wichita, KS	\$ 57.0	2
29	Hamernicks Interior Solutions	Saint Paul, MN	\$ 56.4	3
30	Suttons Western Wholesale Flooring, Inc.	Salt Lake City, UT	\$ 56.0	11
31	Carpet Weaver's	Bloomington, IL	\$ 53.0	12
32	Yates Flooring	Lubbock, TX	\$ 57.0	3
33	Flooring 101	Oxnard, CA	\$ 47.0	8
34	Hurst Hardwoods	Tampa, FL	\$ 45.3	1
35	Haley's Flooring & Interiors	Huntsville, AL	\$ 45.2	1
36	Bob's Carpet & Flooring	Clearwater, FL	\$ 44.8	17
37	Pierce Flooring & Design	Billings, MT	\$ 43.0	7
38	MCI Carpet One	Waite Park, MN	\$ 38.0	5
39	Costen Family of Floors	Richmond, VA	\$ 36.7	5
40	ProFloors, LLC	Atlanta, GA	\$ 35.9	1
41	Great Lakes Carpet & Tile	Wildwood, FL	\$ 35.4	5
42	Hadinger Flooring	Naples, FL	\$ 34.4	1
43	Dalton Carpet One	Athens, GA	\$ 33.2	5
44	DeGraaf Interiors	Jenison, MI	\$ 32.0	3
45	Worldwide Wholesale Floor Covering	Edison, NJ	\$ 31.5	4
T46	AJ Rose Carpets & Flooring	Burlington, MA	\$ 31.0	4
T46	Greer Flooring Center	Greer, SC	\$ 31.0	1
48	Myers Carpet Company	Dalton, GA	\$ 30.6	3
49	Ambassador Floor Company	Chesterfield, MO	\$ 30.1	3
50	Sid's Carpet Barn, Inc.	National City, CA	\$ 30.0	3

* Estimates based on anticipated floor covering sales only.

HD Supply Acquires Redi Carpet



Atlanta, GA, August 2, 2023—HD Supply has completed the acquisition of Redi Carpet.

Based out of Houston, Texas, Redi Carpet operates 34 branches across the country and is one of the largest suppliers of flooring to the apartment industry. The company was founded in 1981.

Says HD Supply CEO, Shane O’Kelly, “Redi Carpet fills a critical gap in our offering, and we’re thrilled to be able to expand our offering of value-added services to our communities, particularly in the multifamily market. We’re thrilled to welcome Redi Carpet associates to the HD Supply family and look forward to this new chapter filled with growth for our combined associates, customers and communities.”

The company adds, “Redi Carpet complements our holistic offering as a next-day flooring installer, focused exclusively on serving the multifamily industry.”

The businesses will continue to operate separately for now.

This is HD Supply’s first acquisition. The company is a wholly owned subsidiary of The Home Depot, serving the multifamily, institutional, hospitality, trades, government, housing, healthcare, building services and education industries. The company has 100 distribution centers across the U.S. and Canada.

Redi Carpet was number 11 on Floor Focus’ 2022 Top 100 list with estimated sales of \$454 million. Over the years, Redi Carpet has itself made many acquisitions, including Young’s Flooring of Virginia Beach, Virginia in 2006; Seagull Floors with multiple locations in 2010; Select Floorcoverings of Atlanta, Georgia in 2011; One Source Services of Salt Lake City, Utah in 2011; Vanco Flooring of Oklahoma in 2014; Got You Flooring of Wilmington, North Carolina in 2016; CMQ Floor Covering of Philadelphia, Pennsylvania in 2017; Bonded Inc. of San Diego, California in 2019; G.B. Sales Floor and Window Coverings of Southern California in 2019.

[Click here for FloorDaily’s coverage of Redi Carpet.](#)

Related Topics:

Redi Carpet, Coverings, Lumber Liquidators

APPENDIX D NOTABLE CONSOLIDATION TRANSACTIONS (M & A ACTIVITY)

Rasa Floors Acquires Floors First Nashville



Carrollton, TX, July 11, 2023-Rasa Floors announced it has acquired Floors First Nashville, bringing together two providers of flooring installation services to the multifamily housing industry.

Rasa operates in Texas, Oklahoma, Arizona, and through its recent acquisition of Martin Greenbaum Company, Rasa also operates in the Northeast (New Jersey, New York, Pennsylvania, Maryland) and Southeast (North Carolina). Floors First operates in Nashville, TN and surrounding markets, including Chattanooga, Tennessee.

Rasa formed a partnership with Saw Mill Equity in January 2022.

Saw Mill Capital Announces Partnership with Rasa Floors

NEWS PROVIDED BY
Saw Mill Capital →
20 Jan, 2022, 10:15 ET

BRIARCLIFF MANOR, N.Y., Jan. 20, 2022 /PRNewswire/ -- Saw Mill Capital Partners II, LP and affiliated private equity investment funds managed by Saw Mill Capital LLC ("Saw Mill") are pleased to announce their recent partnership with Rasa Floors ("Rasa" or the "Company"), a leading, Texas-based flooring installation provider serving both repair and renovation and new construction applications, with a focus on the multi-family market. The partnership was consummated on December 22, 2021. The terms of the partnership have not been disclosed. Saw Mill's partnership with Rasa represents the ninth addition to Saw Mill's most recent fund.

[Continue Reading](#)



Michael Rasa, Founder and CEO of Rasa, commented, "We are excited to have the opportunity to partner with Saw Mill. Through extensive interactions, we have developed a deep relationship with the Saw Mill team, who has demonstrated an intrinsic knowledge of our business model and the markets in which we operate. Rasa has experienced tremendous success since our founding and with the added strategic support from Saw Mill, we believe we are capable of significant growth in the future. We look forward to continuing to execute our strategic vision and are delighted to partner with Saw Mill as we enter the next stage of Rasa's journey."

Saw Mill Capital Announces Partnership with Rasa Floors



Travis Foltz, a Principal at Saw Mill Capital, added, "The team at Rasa has created an exceptional business with an outstanding company culture focused on employee growth and delivering best-in-class service to its customers. This commitment to quality service has resulted in exceptional historical growth and a compelling market leadership position. Saw Mill has a successful track record of partnering with founder- and entrepreneur-led businesses, and we are incredibly excited to partner with the Rasa team and support the Company through its next phase of growth."

Saw Mill is committed to helping its portfolio companies achieve their full growth potential, both organically and through strategic acquisitions. We continue to seek new platform opportunities and are actively evaluating add-on acquisitions to support each of our existing Fund II portfolio companies.

Croft & Bender LP served as financial advisor to Rasa Floors.

ABOUT RASA FLOORS

Headquartered in Carrollton, TX, Rasa is a flooring installation provider serving both repair and renovation and new construction applications, with a focus on the multi-family market. The Company offers a full suite of flooring solutions to multi-family property managers and property management companies across the Southeast and Southwest. Rasa is actively seeking add-on acquisitions. For more information, visit www.rasafloors.com.

ABOUT SAW MILL CAPITAL

Based in Briarcliff Manor, NY, Saw Mill Capital is a private equity firm that partners with business service, specialty distribution, and manufacturing businesses with enterprise values of \$25 million to \$200 million. Since 1997, Saw Mill Capital has been partnering with management teams to help successful businesses reach their full potential. For more information, visit www.sawmillcapital.com.

Contact:

Saw Mill Capital
914-741-1300

SOURCE Saw Mill Capital

10/3/23, 2:52 PM

Interior Logic Group Acquired by Blackstone Group

Interior Logic Group Acquired by Blackstone Group



New York, NY, February 2, 2021--Blackstone Group has reached a definitive agreement to acquire Interior Logic Group (ILG) Holdings from Littlejohn & Co., Platinum Equity and other equity holders, for a total transaction value of approximately \$1.6 billion.

The transaction is subject to customary closing conditions and is expected to close in Q2 2021.

Interior Logic, based in Irvine, California, is a provider of flooring and other interior finishes for homebuilders. The company ranks number five on Floor Focus' Top 100 Dealer list with an estimated \$1.002 billion in sales in 2020. According to ILG's S1 filing, 74% of its revenue in 2019 came from flooring sales. The present-day company was formed by the 2018 merger of Interior Logic Group and Interior Specialists. Its national network is comprised of 110 design studios, 109 warehousing and logistics centers, and nine countertop fabrication facilities, from which the company serves approximately 285 MSAs, including 46 of the top 50 U.S. homebuilding markets. ILG provides its capabilities to help enable the completion of nearly 100,000 homes per year.

In mid-January, Interior Logic announced its intention to launch an initial public offering. That story is available [here](#).

According to Bloomberg, "Blackstone, one of the world's largest real estate investors, is getting in on the rebound in single-family housing in the U.S. fueled by low borrowing costs and the need for larger living spaces during the pandemic. U.S. home construction starts climbed in December to the fastest pace since late 2006."

Related Topics:
LG Hausys

<https://www.floordaily.net/floorfocus/interior-logic-group-acquired-by-blackstone-group>

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APPENDIX E

MULTIFAMILY JV PROJECTED FINANCIAL RESULTS

Certain information set forth in this presentation contains “forward-looking information”, including “future-oriented financial information” and “financial outlook”. Except for statements of historical fact, the information contained herein constitutes forward-looking statements and includes, but is not limited to, the (i) projected financial performance of the company; (ii) the expected development of the company’s business, projects, and joint ventures; (iii) execution of the company’s vision and growth strategy, (iv) sources and availability of third-party financing for the company’s projects; (v) completion of the company’s projects that are currently underway, in development or otherwise under consideration; (vi) renewal of the company’s supplier and other material agreements; and (vii) future liquidity, working capital, and capital requirements.

These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Although forward-looking statements contained in this presentation are based upon what management of the company believes are reasonable assumptions (outlined within the Financial Projections Appendices, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

The following projections have been established from a “build it from the ground up” budget approach to all known and anticipated costs as well as projected revenue activity from the prioritization process outlined in the Growth Strategies.

APPENDIX E - MULTIFAMILY JV PROJECTED FINANCIAL RESULTS

Multifamily Joint Venture 2024 Profit & Loss Forecast														
	January	February	March	April	May	June	July	August	September	October	November	December	2024 Total	
Revenue	\$ -	\$ -	\$ 40,000	\$ 80,000	\$ 120,000	\$ 120,000	\$ 160,000	\$ 220,000	\$ 340,000	\$ 480,000	\$ 580,000	\$ 700,000	\$ 850,000	\$ 3,550,000
Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales Allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surcharges (Fuel, Etc.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discounts Allowed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	-	-	40,000	80,000	120,000	120,000	160,000	220,000	340,000	480,000	580,000	700,000	850,000	3,550,000
Cost of Goods Sold	-	-	23,080	46,160	69,240	92,320	126,940	196,180	285,420	334,660	403,900	490,450	599,900	2,048,350
Materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments (Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Delivery Costs	-	-	16	32	48	64	88	136	184	233	281	341	418	1,423
Supplier Rebates	-	-	(692)	(1,385)	(2,077)	(2,770)	(3,508)	(5,885)	(7,963)	(10,040)	(12,117)	(14,714)	(17,714)	(61,451)
Credit Card Fees	-	-	398	796	1,194	1,592	2,188	3,382	4,576	5,770	6,963	8,455	10,314	35,314
Total Materials Cost	-	-	22,802	45,603	68,405	91,206	125,404	193,813	282,218	330,622	399,027	484,533	592,957	2,025,957
Contract Labor	-	-	7,200	14,400	21,600	28,800	39,600	61,200	82,800	104,400	126,000	153,000	185,000	639,000
Installer Deductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Contract Labor	-	-	7,200	14,400	21,600	28,800	39,600	61,200	82,800	104,400	126,000	153,000	185,000	639,000
Total Cost of Goods Sold	-	-	30,002	60,003	90,005	120,006	165,008	255,013	345,018	435,022	525,027	637,533	764,903	2,687,687
Gross Margin	0%	0%	9,998	19,997	29,995	39,994	54,992	84,987	114,982	144,978	174,973	214,967	262,043	887,363
GM % of Revenue	0%	0%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Selling Expenses	14,145	14,145	15,145	16,145	24,218	24,218	26,718	29,718	32,718	35,718	40,000	45,790	49,540	329,219
Selling Manpower (Commissions)	20,000	20,000	20,000	20,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	40,000	40,000	340,000
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Promotions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Samples	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total COGS + Selling Expenses	34,145	34,145	65,147	66,148	144,222	175,224	221,726	314,731	407,736	500,740	610,817	727,073	852,443	3,331,856
Contribution Margin	(34,145)	(34,145)	(25,147)	(16,148)	(24,222)	(24,222)	(17,224)	(10,224)	(2,224)	52,264	79,260	89,183	122,927	219,144
CM % of Revenue	0%	0%	-63%	-20%	-20%	-20%	-10%	-7%	-1%	11%	14%	13%	14%	6%
General & Administrative Expenses	1,000	1,000	1,133	1,266	1,399	1,532	1,732	2,131	2,531	2,930	3,329	3,829	4,329	23,813
Auto & Truck Expense	-	-	10	19	29	38	52	81	109	138	167	202	241	845
Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Charges	-	-	21	42	63	84	115	178	241	304	366	445	534	1,859
Business Meetings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Administration Fee	-	-	1,200	2,400	3,600	4,800	6,000	10,200	13,800	17,400	21,000	25,500	30,000	106,500
Entertainment	-	-	85	170	255	341	468	724	979	1,235	1,490	1,810	2,160	7,558
Insurance	-	-	104	208	312	415	571	883	1,194	1,506	1,817	2,207	2,697	9,216
Office Manpower, incl Taxes/Benefits	66,261	66,261	66,261	66,261	80,224	80,224	80,224	80,224	80,224	80,224	80,224	94,186	94,186	934,759
Meals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mobile Phones	750	750	750	750	1,000	1,000	1,000	1,000	1,000	1,000	1,250	1,250	1,250	11,500
Office Expense	1,017	1,017	1,241	1,466	2,198	2,423	2,759	3,433	4,106	4,779	5,961	6,803	7,927	37,202
Postage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs & Maintenance	417	417	417	417	18,000	18,000	18,000	18,000	18,000	18,000	18,000	36,000	36,000	180,000
Security	200	200	200	200	300	300	300	300	300	300	300	400	400	3,400
Travel	20	20	39	59	79	99	108	167	226	285	344	418	500	1,747
Utilities	4,200	4,200	4,200	4,200	6,300	6,300	6,300	6,300	6,300	6,300	8,400	8,400	8,400	71,400
Warehouse Expense	15,381	15,381	15,381	15,381	32,816	32,816	32,816	32,816	32,816	32,816	50,251	50,251	50,251	358,924
Other	-	-	3	7	510	514	219	429	639	849	1,560	2,072	2,584	6,802
Total G & A Expenses	89,226	89,226	91,026	92,826	147,690	149,490	157,890	157,491	163,091	168,691	227,355	234,606	234,606	1,762,607
G & A % of Revenue	0%	0%	228%	116%	123%	123%	93%	69%	46%	29%	32%	28%	28%	50%
EBITDA	(123,371)	(123,371)	(116,173)	(108,974)	(171,913)	(164,714)	(153,617)	(132,221)	(110,826)	(89,431)	(138,173)	(111,679)	(111,679)	(1,544,463)
EBITDA % of Revenue	-4%	-4%	-30%	-28%	-44%	-41%	-39%	-30%	-25%	-16%	-21%	-14%	-14%	-44%
Depreciation / Amortization	2,989	2,989	2,989	2,989	5,979	5,979	5,979	5,979	5,979	5,979	8,968	8,968	8,968	65,764
EBIT (Operating Margin)	(126,360)	(126,360)	(119,162)	(111,963)	(177,891)	(170,693)	(159,595)	(138,200)	(116,805)	(85,410)	(147,141)	(120,647)	(120,647)	(1,610,227)
EBIT % of Revenue	0%	0%	-29%	-14%	-48%	-41%	-37%	-32%	-25%	-16%	-21%	-14%	-14%	-45%
Other Expenses	16,042	16,042	15,818	15,592	15,366	15,138	14,908	14,678	14,445	14,212	13,977	13,741	13,504	177,420
Interest Paid	-	-	100	199	299	398	498	548	646	744	842	940	1,038	4,536
Taxes Paid	-	-	15,818	15,693	15,567	15,436	15,306	15,225	15,292	15,357	15,421	15,484	15,619	186,256
Total Other Expenses	16,042	16,042	15,818	15,592	15,366	15,138	14,908	14,678	14,445	14,212	13,977	13,741	13,504	177,420
Net Profit	0	0	(142,178)	(134,854)	(193,327)	(185,989)	(174,820)	(153,492)	(132,162)	(110,831)	(162,624)	(136,266)	(136,266)	(1,796,483)
Net Profit % of Revenue	0%	0%	-35%	-17%	-48%	-41%	-39%	-30%	-25%	-16%	-21%	-14%	-14%	-51%

APPENDIX E - MULTIFAMILY JV PROJECTED FINANCIAL RESULTS

Multifamily Joint Venture 2025 - 2028 Profit & Loss Forecast												
	Q1 2025	Q2 2025	Q3 2025	Q4 2025	2025 TOTAL	Q1 2026	Q2 2026	Q3 2026	Q4 2026	2026 TOTAL	2027 TOTAL	2028 TOTAL
Revenue	3,270,000	4,140,000	5,260,000	6,740,000	19,410,000	8,260,000	9,970,000	11,960,000	14,190,000	44,380,000	75,510,000	95,200,000
Sales	-	-	-	-	-	-	-	-	-	-	-	-
Sales Allowances	-	-	-	-	-	-	-	-	-	-	-	-
Surcharges (Fuel, Etc.)	-	-	-	-	-	-	-	-	-	-	-	-
Discounts Allowed	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	3,270,000	4,140,000	5,260,000	6,740,000	19,410,000	8,260,000	9,970,000	11,960,000	14,190,000	44,380,000	75,510,000	95,200,000
YOY Growth	447%									129%	70%	2%
Cost of Goods Sold	1,886,790	2,388,780	3,035,020	3,888,980	11,199,570	4,766,020	5,732,690	6,900,920	8,187,630	25,607,260	43,569,270	54,930,400
Materials	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments (Inventory)	-	-	-	-	-	-	-	-	-	-	-	-
Delivery Costs	1,311	1,660	2,109	2,702	7,781	3,311	3,997	4,795	5,689	17,792	30,272	38,165
Supplier Rebates	(56,604)	(71,663)	(91,051)	(116,669)	(335,987)	(142,981)	(172,558)	(207,629)	(245,629)	(768,218)	(1,307,078)	(1,647,912)
Credit Card Fees	32,529	41,183	52,324	67,047	193,083	82,167	99,177	118,973	141,156	441,474	751,142	947,010
Total Materials Cost	1,864,026	2,359,959	2,998,402	3,842,059	11,064,447	4,708,518	5,683,284	6,817,660	8,088,846	25,298,308	43,043,605	54,267,663
Contract Labor	588,600	745,200	946,800	1,213,200	3,493,800	1,486,800	1,794,600	2,152,800	2,554,200			

Multifamily Budgeted Cash Flow Projection - Summary													
	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Total 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Total 2025	Total 2026	Total 2027	Total 2028
Cash flows from Operating Activities													
Revenue	\$ 40,000	\$ 360,000	\$ 1,020,000	\$ 2,130,000	\$ 3,550,000	\$ 3,270,000	\$ 4,140,000	\$ 5,260,000	\$ 6,740,000	\$ 19,410,000	\$ 44,380,000	\$ 75,510,000	\$ 95,200,000
Expenses	459,433	866,855	1,480,474	2,539,721	5,346,483	3,648,203	4,666,440	5,741,041	7,256,039	21,311,723	46,805,053	72,707,558	88,595,393
Net Income (Loss)	(419,433)	(506,855)	(460,474)	(409,721)	(1,796,483)	(378,203)	(526,440)	(481,041)	(516,039)	(1,901,723)	(1,425,053)	2,802,442	6,604,607
Adjustments													
Depreciation and Amortization	8,968	14,946	17,936	23,914	65,764	41,850	65,764	77,721	101,636	286,971	597,856	717,427	717,427
(Increase)/Decrease in Accounts Receivable	(33,333)	(133,333)	(227,776)	(345,139)	(739,583)	(397,083)	(385,556)	(408,730)	(480,714)	(1,652,083)	(1,612,808)	(2,303,119)	(2,215,014)
(Increase)/Decrease in Inventory	(120,000)	(72,000)	(12,000)	(222,000)	(426,000)	(228,000)	(174,000)	(224,000)	(296,000)	(922,000)	(871,000)	(1,754,500)	(1,038,500)
Increase/(Decrease) in Accounts Payable	366,269	195,807	241,629	327,356	1,131,081	368,211	378,611	389,923	433,692	1,570,437	1,261,945	1,676,975	1,553,600
Increase/(Decrease) in Other Liabilities	2,000	34,000	68,000	145,000	249,000	192,000	232,000	294,000	390,000	1,088,000	1,109,500	1,887,750	2,380,000
Other	(5,000)	(5,000)	(5,000)	(5,000)	(20,000)	(5,000)	(5,000)	(5,000)	(5,000)	(20,000)	(20,000)	(20,000)	(20,000)
Total Adjustments	218,923	34,420	82,787	(75,869)	260,261	(38,023)	111,820	123,914	153,613	351,324	465,493	204,533	1,377,513
Net cash provided (used) by Operating Activities:	(200,510)	(472,434)	(377,687)	(485,690)	(1,536,222)	(416,225)	(414,620)	(357,127)	(362,426)	(1,550,399)	(959,560)	3,006,975	7,982,120
Investing Activities													
Purchase of Property and/or Equipment	246,500.00	246,500.00	-	246,500.00	739,500	246,500	246,500	246,500	246,500	986,000	986,000	150,000	150,000
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash used by Investing Activities	(246,500)	(246,500)	-	(246,500)	(739,500)	(246,500)	(246,500)	(246,500)	(246,500)	(986,000)	(986,000)	(150,000)	(150,000)
Cash inflows/(outflows) from Financing Activities													
Net Change in LOC Balance	231,255.00	231,255.00	-	231,255.00	693,765	231,255.00	231,255.00	231,255.00	231,255.00	925,020	925,020	-	-
Capital Contributed	250,000.00	500,000.00	500,000.00	400,000.00	1,650,000	450,000.00	400,000.00	400,000.00	400,000.00	1,650,000	1,000,000	-	-
Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	(1,000,000)	(2,000,000)
Principal Payment on Equipment Loan	-	-	-	-	-	-	-	-	-	-	-	(440,327)	(472,159)
Net cash generated by Financing Activities	481,255	731,255	500,000	631,255	2,343,765	681,255	631,255	631,255	631,255	2,575,020	1,925,020	(1,440,327)	(2,472,159)
Net increase (decrease) in cash	34,245	12,321	122,313	(100,835)	68,043	18,530	(29,865)	27,628	22,329	38,621	(20,540)	1,416,647	5,359,962
Cash - Beginning of period	-	34,245	46,566	168,878	-	68,043	86,573	56,708	84,336	68,043	106,664	86,124	1,502,772
Cash - End of period	\$ 34,245	\$ 46,566	\$ 168,878	\$ 68,043	\$ 68,043	\$ 86,573	\$ 56,708	\$ 84,336	\$ 106,664	\$ 106,664	\$ 86,124	\$ 1,502,772	\$ 6,862,733



APPENDIX F

PRODUCT LINE EXTENSION (COUNTERTOP FABRICATION) PROJECTED FINANCIAL RESULTS

Certain information set forth in this presentation contains “forward-looking information”, including “future-oriented financial information” and “financial outlook”. Except for statements of historical fact, the information contained herein constitutes forward-looking statements and includes, but is not limited to, the (i) projected financial performance of the company; (ii) the expected development of the company’s business, projects, and joint ventures; (iii) execution of the company’s vision and growth strategy, (iv) sources and availability of third-party financing for the company’s projects; (v) completion of the company’s projects that are currently underway, in development or otherwise under consideration; (vi) renewal of the company’s supplier and other material agreements; and (vii) future liquidity, working capital, and capital requirements.

These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Although forward-looking statements contained in this presentation are based upon what management of the company believes are reasonable assumptions (outlined within the Financial Projections Appendices, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

The following projections have been established from a “build it from the ground up” budget approach to all known and anticipated costs as well as projected revenue activity from the prioritization process outlined in the Growth Strategies.

	January	February	March	April	May	June	July	August	September	October	November	December	2024 Total
Stone Fabrication													
2024 Profit & Loss Forecast													
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 153,140	\$ 153,140	\$ 153,140	\$ 459,420
Sales Allowances	-	-	-	-	-	-	-	-	-	-	-	-	-
Surcharges (Fuel, Etc.)	-	-	-	-	-	-	-	-	-	-	-	-	-
Discounts Allowed	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-	-	-	-	153,140	153,140	153,140	459,420
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	-	64,365	64,365	193,094
Materials	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments (Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-
Delivery Costs	-	-	-	-	-	-	-	-	-	-	61	61	184
Supplier Rebates	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit Card Fees	-	-	-	-	-	-	-	-	-	-	1,523	1,523	4,570
Total Materials Cost	-	-	-	-	-	-	-	-	-	-	65,950	65,950	197,849
Contract Labor	-	-	-	-	-	-	-	-	-	-	18,281	18,281	54,842
Instalar Deductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Contract Labor	-	-	-	-	-	-	-	-	-	-	18,281	18,281	54,842
Total Cost of Goods Sold	-	-	-	-	-	-	-	-	-	-	84,230	84,230	252,690
Gross Margin	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	45%	45%	45%
GM % of Revenue	-	-	-	-	-	-	-	-	-	-	45%	45%	45%
Selling Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Selling Manpower (Commissions)	-	-	-	-	-	-	-	-	-	-	7,657	7,657	22,971
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-
Promotions	-	-	-	-	-	-	-	-	-	-	-	-	-
Samples	-	-	-	-	-	-	-	-	-	-	-	-	-
Total COGS + Selling Expenses	-	-	-	-	-	-	-	-	-	-	91,887	91,887	275,661
Contribution Margin	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	61,253	61,253	183,759
CM % of Revenue	-	-	-	-	-	-	-	-	-	-	40%	40%	40%
General & Administrative Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Auto & Truck Expense	-	-	-	-	-	-	-	-	-	-	5,360	5,360	16,080
Bad Debt	-	-	-	-	-	-	-	-	-	-	764	764	2,291
Bank Charges	-	-	-	-	-	-	-	-	-	-	80	80	241
Business Meetings	-	-	-	-	-	-	-	-	-	-	417	417	1,250
Corporate Administration Fee	-	-	-	-	-	-	-	-	-	-	4,594	4,594	13,783
Entertainment	-	-	-	-	-	-	-	-	-	-	766	766	2,297
Insurance	-	-	-	-	-	-	-	-	-	-	2,297	2,297	6,891
Office Manpower, incl. Taxes/Benefits	-	-	-	-	-	-	-	-	-	-	20,763	20,763	62,289
Meals	-	-	-	-	-	-	-	-	-	-	417	417	1,250
Mobile Phones	-	-	-	-	-	-	-	-	-	-	600	600	1,800
Office Expense	-	-	-	-	-	-	-	-	-	-	775	775	2,324
Postage	-	-	-	-	-	-	-	-	-	-	417	417	1,250
Professional Fees	-	-	-	-	-	-	-	-	-	-	1,302	1,302	3,905
Rent	-	-	-	-	-	-	-	-	-	-	30,000	30,000	90,000
Repairs & Maintenance	-	-	-	-	-	-	-	-	-	-	804	804	2,412
Security	-	-	-	-	-	-	-	-	-	-	417	417	1,250
Travel	-	-	-	-	-	-	-	-	-	-	3,063	3,063	9,188
Utilities	-	-	-	-	-	-	-	-	-	-	1,531	1,531	4,594
Warehouse Manpower, incl. Taxes/Benefits	-	-	-	-	-	-	-	-	-	-	14,948	14,948	44,843
Warehouse Expense	-	-	-	-	-	-	-	-	-	-	459	459	1,378
Other	-	-	-	-	-	-	-	-	-	-	3,028	3,028	9,085
Total G & A Expenses	-	-	-	-	-	-	-	-	-	-	92,800	92,800	278,601
G & A % of Revenue	-	-	-	-	-	-	-	-	-	-	61%	61%	61%
EBITDA	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	(31,548)	(31,548)	(94,643)
EBITDA % of Revenue	-	-	-	-	-	-	-	-	-	-	-21%	-21%	-21%
Depreciation / Amortization	-	-	-	-	-	-	-	-	-	-	17,857	17,857	53,571
EBIT (Operating Margin)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	(49,405)	(49,405)	(146,214)
EBIT % of Revenue	-	-	-	-	-	-	-	-	-	-	-32%	-32%	-32%
Other Expenses	-	-	-	-	-	-	-	-	-	-	8,750	8,750	25,883
Interest Paid	-	-	-	-	-	-	-	-	-	-	766	766	2,297
Taxes Paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Expenses	-	-	-	-	-	-	-	-	-	-	9,516	9,516	28,180
Net Profit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	(40,941)	(40,941)	(176,394)
Net Profit % of Revenue	-	-	-	-	-	-	-	-	-	-	-27%	-27%	-27%



APPENDIX G

SHOP @ HOME PROJECTED
FINANCIAL RESULTS

Certain information set forth in this presentation contains “forward-looking information”, including “future-oriented financial information” and “financial outlook”. Except for statements of historical fact, the information contained herein constitutes forward-looking statements and includes, but is not limited to, the (i) projected financial performance of the company; (ii) the expected development of the company’s business, projects, and joint ventures; (iii) execution of the company’s vision and growth strategy, (iv) sources and availability of third-party financing for the company’s projects; (v) completion of the company’s projects that are currently underway, in development or otherwise under consideration; (vi) renewal of the company’s supplier and other material agreements; and (vii) future liquidity, working capital, and capital requirements.

These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Although forward-looking statements contained in this presentation are based upon what management of the company believes are reasonable assumptions (outlined within the Financial Projections Appendices, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

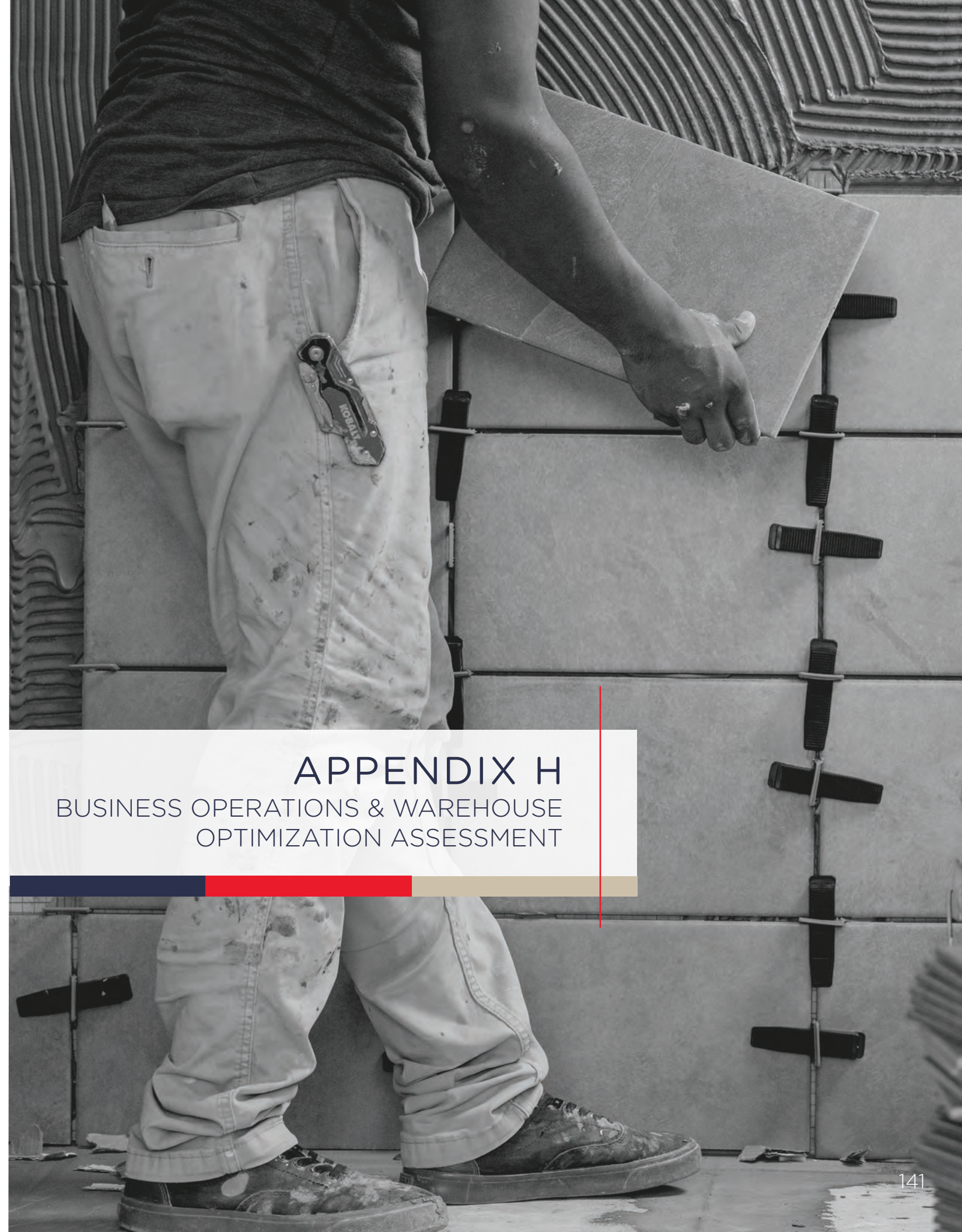
The following projections have been established from a “build it from the ground up” budget approach to all known and anticipated costs as well as projected revenue activity from the prioritization process outlined in the Growth Strategies.

	January	February	March	April	May	June	July	August	September	October	November	December	2024 Total
Revenue	\$ -	\$ -	\$ -	\$ 120,000	\$ 120,000	\$ 120,000	\$ 180,000	\$ 180,000	\$ 180,000	\$ 300,000	\$ 300,000	\$ 300,000	1,800,000
Sales Allowances	-	-	-	-	-	-	-	-	-	-	-	-	-
Surcharges (Fuel, Etc.)	-	-	-	-	-	-	-	-	-	-	-	-	-
Discounts Allowed	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	-	-	-	120,000	120,000	120,000	180,000	180,000	180,000	300,000	300,000	300,000	1,800,000
Cost of Goods Sold	-	-	-	54,564	54,564	54,564	81,846	81,846	81,846	136,410	136,410	136,410	818,460
Materials	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments (Inventory)	-	-	-	48	48	48	72	72	72	120	120	120	722
Delivery Costs	-	-	-	(1,637)	(1,637)	(1,637)	(2,455)	(2,455)	(2,455)	(4,092)	(4,092)	(4,092)	(24,554)
Supplier Rebates	-	-	-	3,420	3,420	3,420	5,130	5,130	5,130	8,550	8,550	8,550	51,300
Credit Card Fees	-	-	-	56,395	56,395	56,395	84,593	84,593	84,593	140,988	140,988	140,988	845,928
Total Materials Cost	-	-	-	21,600	21,600	21,600	32,400	32,400	32,400	54,000	54,000	54,000	324,000
Contract Labor	-	-	-	21,600	21,600	21,600	32,400	32,400	32,400	54,000	54,000	54,000	324,000
Installer Deductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Contract Labor	-	-	-	21,600	21,600	21,600	32,400	32,400	32,400	54,000	54,000	54,000	324,000
Total Cost of Goods Sold	-	-	-	77,995	77,995	77,995	116,993	116,993	116,993	194,988	194,988	194,988	1,169,928
Gross Margin	0%	0%	0%	42,005	42,005	42,005	63,007	63,007	63,007	105,012	105,012	105,012	630,072
GM % of Revenue	-	-	-	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Selling Expenses	22,758	22,758	22,758	34,137	34,137	34,137	45,516	45,516	45,516	56,895	56,895	56,895	477,917
Advertising	37,530	37,530	37,530	37,530	37,530	37,530	37,530	37,530	37,530	37,530	37,530	37,530	450,360
Promotions	-	-	-	-	-	-	-	-	-	-	-	-	-
Samples	-	-	-	-	-	-	-	-	-	-	-	-	-
Total COGS + Selling Expenses	60,288	60,288	60,288	149,662	149,662	149,662	200,039	200,039	200,039	289,413	289,413	289,413	2,098,205
Contribution Margin	(60,288)	(60,288)	(60,288)	(29,662)	(29,662)	(29,662)	(20,039)	(20,039)	(20,039)	(10,587)	(10,587)	(10,587)	(298,205)
CM % of Revenue	0%	0%	0%	-25%	-25%	-25%	-11%	-11%	-11%	-4%	-4%	-4%	-17%
General & Administrative Expenses	2,933	2,933	2,933	5,867	5,867	5,867	8,800	7,333	8,800	11,733	11,733	11,733	86,533
Auto & Truck Expense	-	-	-	1,250	1,250	1,250	1,875	1,875	1,875	2,500	2,500	2,500	16,875
Bad Debt	-	-	-	180	180	180	270	270	270	450	450	450	2,700
Bank Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Business Meetings	-	-	-	3,600	3,600	3,600	5,400	5,400	5,400	9,000	9,000	9,000	54,000
Corporate Administration Fee	-	-	-	255	255	255	383	383	383	639	639	639	3,832
Entertainment	-	-	-	312	312	312	467	467	467	779	779	779	4,673
Insurance	10,157	10,157	10,157	10,157	10,157	10,157	10,157	10,157	10,157	10,157	10,157	10,157	121,883
Office Manpower, incl Taxes/Benefits	83	83	83	83	83	83	83	83	83	83	83	83	1,000
Mobile Phones	750	750	750	1,000	1,000	1,000	1,250	1,250	1,250	1,500	1,500	1,500	13,500
Office Expense	-	-	-	673	673	673	1,010	1,010	1,010	1,683	1,683	1,683	10,100
Postage	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	-	-	-	2,700	2,700	2,700	5,400	5,400	5,400	8,100	8,100	8,100	48,600
Repairs & Maintenance	94	94	94	125	125	125	156	156	156	188	188	188	1,688
Security	30	30	30	45	45	45	60	60	60	75	75	75	630
Travel	417	417	417	417	417	417	417	417	417	417	417	417	5,000
Utilities	630	630	630	945	945	945	1,260	1,260	1,260	1,575	1,575	1,575	13,230
Warehouse Expense	-	-	-	1,800	1,800	1,800	1,800	1,800	1,800	2,700	2,700	2,700	18,900
Other	417	417	417	417	417	417	417	417	417	417	417	417	5,000
Total G & A Expenses	15,511	15,511	15,511	29,826	29,826	29,826	39,205	37,739	39,205	51,995	51,995	51,995	408,144
G & A % of Revenue	0%	0%	0%	25%	25%	25%	22%	21%	22%	17%	17%	17%	23%
EBITDA	(75,799)	(75,799)	(75,799)	(59,488)	(59,488)	(59,488)	(59,244)	(57,777)	(59,244)	(41,408)	(41,408)	(41,408)	(706,349)
EBITDA % of Revenue	0%	0%	0%	-50%	-50%	-50%	-33%	-32%	-33%	-14%	-14%	-14%	-39%
Depreciation / Amortization	5,000	5,000	5,000	7,500	7,500	7,500	10,000	10,000	10,000	12,500	12,500	12,500	105,000
EBIT (Operating Margin)	(80,799)	(80,799)	(80,799)	(66,988)	(66,988)	(66,988)	(69,244)	(67,777)	(69,244)	(53,908)	(53,908)	(53,908)	(811,349)
EBIT % of Revenue	0%	0%	0%	-56%	-56%	-56%	-38%	-38%	-38%	-18%	-18%	-18%	-45%
Other Expenses	938	925	912	1,836	1,810	1,784	2,695	2,655	2,615	3,513	3,460	3,406	26,547
Interest Paid	-	-	-	299	299	299	448	448	448	747	747	747	4,480
Taxes Paid	938	925	912	2,135	2,109	2,082	3,143	3,103	3,063	4,260	4,208	4,153	31,027
Total Other Expenses	1,876	1,850	1,824	4,270	4,218	4,165	6,286	6,206	6,126	8,417	8,315	8,206	62,054
Net Profit	(82,675)	(82,675)	(82,675)	(71,218)	(71,218)	(71,218)	(75,530)	(73,983)	(75,370)	(62,326)	(62,326)	(62,326)	(973,393)
Net Profit % of Revenue	0%	0%	0%	-59%	-59%	-59%	-42%	-41%	-42%	-21%	-21%	-21%	-54%

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Revenue	1,170,000	1,620,000	1,980,000	2,520,000	3,060,000	3,600,000	4,140,000	4,680,000	5,220,000	5,760,000	6,300,000	6,840,000	7,380,000	7,920,000	8,460,000
Sales	1,170,000	1,620,000	1,980,000	2,520,000	3,060,000	3,600,000	4,140,000	4,680,000	5,220,000	5,760,000	6,300,000	6,840,000	7,380,000	7,920,000	8,460,000
Sales Allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surcharges (Fuel, Etc.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discounts Allowed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	1,170,000	1,620,000	1,980,000	2,520,000	3,060,000	3,600,000	4,140,000	4,680,000	5,220,000	5,760,000	6,300,000	6,840,000	7,380,000	7,920,000	8,460,000
YOY Growth	-	305%	305%	305%	305%	305%	305%	305%	305%	305%	305%	305%	305%	305%	305%
Cost of Goods Sold	331,476	462,000	592,524	723,048	853,572	984,096	1,114,620	1,245,144	1,375,668	1,506,192	1,636,716	1,767,240	1,897,764	2,028,288	2,158,812
Materials	531,999	736,614	900,306	1,145,844	1,391,382	1,636,920	1,882,458	2,127,996	2,373,534	2,619,072	2,864,610	3,110,148	3,355,686	3,601,224	3,846,762
Adjustments (Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Delivery Costs	469	649	794	1,010	1,226	1,443	1,660	1,876	2,093	2,309	2,526	2,742	2,959	3,175	3,392
Supplier Rebates	(15,960)	(22,098)	(27,009)	(34,375)	(41,751)	(49,127)	(56,503)	(63,879)	(71,255)	(78,631)	(86,007)	(93,383)	(100,759)	(108,135)	(115,511)
Credit Card Fees	33,345	46,170	56,430	71,820	87,210	102,600	117,990	133,380	148,770	164,160	179,550	194,940	210,330	225,720	241,110
Total Materials Cost	549,853	761,335	930,521	1,184,299	1,438,272	1,692,246	1,946,220	2,190,194	2,444,168	2,698,142	2,952,116	3,206,090	3,460,064	3,714,038	3,968,012
Contract Labor	210,600	291,600	356,400	453,600	556,800	660,000	763,200	866,400	969,600	1,072,800	1,176,000	1,279,200	1,382,400	1,485,600	1,588,800
Installer Deductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Contract Labor	210,600	291,600	356,400	453,600	556,800	660,000	763,200	866,400	969,600	1,072,800	1,176,000	1,279,200	1,382,400	1,485,600	1,588,800
Total Cost of Goods Sold	552,146	753,634	946,924	1,197,912	1,449,072	1,700,232	1,951,392	2,202,552	2,453,712	2,704,872	2,956,032	3,207,192	3,458,352	3,709,512	3,960,672
Gross Margin	617,854	866,366	1,033,076	1,322,088	1,610,928	1,897,764	2,186,608	2,475,452	2,764,288	3,053,128	3,341,968	3,630,808	3,919,648	4,208,488	4,497,328
GM % of Revenue	53%	53%	52%	52%	53%	53%	52%	52%	52%	53%					

Shop@Home Budgeted Cash Flow Projection - Summary

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Total 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026	Total 2026	Total 2027	Total 2028
Cash flows from Operating Activities												
Revenue	\$ -	\$ 360,000	\$ 540,000	\$ 900,000	\$ 1,800,000	\$ 1,170,000	\$ 1,620,000	\$ 1,980,000	\$ 2,520,000	\$ 7,290,000	\$ 15,390,000	\$ 22,050,000
Expenses	245,170	567,289	755,575	1,074,343	2,642,376	1,382,676	1,762,212	2,079,132	2,520,893	7,744,913	14,907,651	20,212,977
Net Income (Loss)	(245,170)	(207,289)	(215,575)	(174,343)	(842,376)	(212,676)	(142,212)	(98,132)	(893)	(454,913)	482,349	1,837,023
Adjustments												
Depreciation and Amortization	15,000	22,500	30,000	37,500	105,000	45,000	52,500	60,000	67,500	225,000	345,000	390,000
(Increase)/Decrease in Accounts Receivable	-	(150,000)	(100,000)	(125,000)	(375,000)	(120,000)	(142,500)	(144,643)	(164,732)	(571,875)	(878,125)	(785,938)
(Increase)/Decrease in Inventory	(120,000)	-	(60,000)	(120,000)	(300,000)	(90,000)	(150,000)	(120,000)	(180,000)	(540,000)	(442,500)	(555,000)
Increase/(Decrease) in Accounts Payable	183,446	107,373	77,632	91,944	440,396	96,278	106,356	106,151	116,427	425,211	1,074,484	705,360
Increase/(Decrease) in Other Liabilities	-	36,000	18,000	72,000	126,000	45,000	117,000	81,000	171,000	414,000	384,750	551,250
Other	(5,000)	(5,000)	(5,000)	(5,000)	(20,000)	(5,000)	(5,000)	(5,000)	(5,000)	(20,000)	(20,000)	(20,000)
Total Adjustments	53,446	10,873	(39,368)	(48,556)	(23,604)	(28,722)	(21,644)	(22,492)	5,195	(67,664)	463,609	285,673
Net cash provided (used) by Operating Activities	(191,723)	(196,416)	(254,942)	(222,899)	(865,960)	(241,398)	(163,856)	(121,624)	4,302	(522,576)	945,958	2,122,696
Investing Activities												
Purchase of Property and/or Equipment	150,000.00	150,000.00	150,000.00	150,000.00	600,000	150,000	150,000	150,000	150,000	600,000	600,000	600,000
Other	-	-	-	-	-	-	-	-	-	-	-	-
Net cash used by Investing Activities	(150,000)	(150,000)	(150,000)	(150,000)	(600,000)	(150,000)	(150,000)	(150,000)	(150,000)	(600,000)	(600,000)	(600,000)
Cash inflows/ (outflows) from Financing Activities												
Net Change in LOC Balance	150,000.00	150,000.00	150,000.00	150,000.00	600,000	150,000.00	150,000.00	150,000.00	150,000.00	600,000	600,000	-
Capital Contributed	225,000.00	225,000.00	225,000.00	250,000.00	925,000	225,000.00	225,000.00	150,000.00	-	600,000	-	-
Dividend Paid	-	-	-	-	-	-	-	-	-	-	(250,000)	(1,250,000)
Principal Payment on Equipment Loan	-	-	-	-	-	-	-	-	-	-	-	-
Net cash used by Financing Activities	375,000	375,000	375,000	400,000	1,525,000	375,000	375,000	300,000	150,000	1,200,000	350,000	(1,250,000)
Net increase (decrease) in cash	33,277	28,584	(29,942)	27,101	59,020	(16,398)	61,144	28,376	4,302	77,424	695,958	272,696
Cash - Beginning of period	-	33,277	61,861	31,919	-	59,020	42,622	103,766	132,142	59,020	136,443	832,401
Cash - End of period	\$ 33,277	\$ 61,861	\$ 31,919	\$ 59,020	\$ 59,020	\$ 42,622	\$ 103,766	\$ 132,142	\$ 136,443	\$ 136,443	\$ 832,401	\$ 1,105,097



APPENDIX H

BUSINESS OPERATIONS & WAREHOUSE OPTIMIZATION ASSESSMENT

Scope of Project

PMP Consulting CO LLC undertook a comprehensive assessment of business processes and the application of the Broadlume (formerly RollMaster) Flooring software at CRT Flooring Concepts. This engagement encompassed physical observations, interviews with CRT team members, an examination of system controls and configurations, and a thorough review of the company's data and accounting records.

It is crucial to acknowledge that, despite rigorous efforts to ensure the accuracy of the information presented in this document, the inherent limitations of relying on a finite number of interviews and observations may introduce the possibility of incorrect assumptions and factual errors. Readers are advised to recognize and accept the inherent constraints and associated risks associated with this evaluation.

In the evaluation of CRT's operations, PMP Consulting adhered to industry best practices specific to the flooring sector, considerations relevant to CRT's business segments, and established organizational and accounting internal controls tailored to businesses of comparable size and complexity. This approach ensures a comprehensive and contextually relevant analysis aligned with the specific operational landscape of CRT Flooring Concepts.

Areas of Concern – 2023 & year end Audit

Material Claim Processing

Process Overview

In the flooring industry, dealing with claims for defective products before and after installation is a common warranty scenario. While the specifics of each claim may vary, the primary objective for the dealer, in addition to addressing customer service concerns, is to ensure that the costs associated with servicing warranty claims are accurately documented and that reimbursement is obtained from the manufacturer.

Issues with Current CRT Process

- **Inventory Costing:** Presently, when replacement materials are ordered, they are assigned a cost of zero on the vendor purchase order, under the assumption that this cost will be offset by a credit. However, it's important to note that a legitimate purchase contract is being initiated, and the materials are indeed being purchased from the vendor. Consequently, these zero costs persist throughout the process, leading to inventory accounting challenges. The appropriate accounting treatment for the purchase should be applied, irrespective of the expected credit to offset it. [Audit]
- **Accounts Payable:** Upon purchasing and receiving replacement materials, CRT receives an invoice from the vendor for the material's cost. Since CRT's intention is not to pay this invoice (due to the expected vendor credit), the item is not posted to the Accounts Payable ledger. When the vendor credit for the defective material is received, it is manually matched with the replacement invoice but is not entered into CRT's accounting system. Given that a valid purchase has transpired, the corresponding liability (the Accounts Payable invoice) should be recorded, regardless of the anticipation of an offsetting credit. [Audit]

- **Accounts Receivable:** As part of the process, the vendor's claim is invoiced, and the outstanding credit memo is tracked as a receivable in Accounts Receivable until received from the vendor. Upon receipt, CRT clears the receivable using a manual credit memo, recording the offsetting debit in the transaction to Account 10150 – Inventory San Antonio. This practice results in an overstatement of the inventory value. [Audit]
- **Matching:** The receipt of the vendor credit and its posting to both Accounts Receivable and Accounts Payable should be synchronized to occur roughly simultaneously. Since the net transaction involves the payment of an Accounts Receivable invoice through an Accounts Payable credit that the vendor can use for future payments, any lack of coordination between the Accounts Receivable and Accounts Payable steps will lead to unmatched accounting transactions. [Audit]

Proposed Changes

- **Inventory Costing:** Correct the inventory costing process by recording the purchase of replacement materials in the same manner as standard purchases. This change will enhance transparency and streamline inventory accounting. [Audit]
- **Accounts Payable Management:** It is recommended that CRT properly track and record the debt owed to the material vendor for the cost of the replacement purchase. This ensures that our Accounts Payable ledger accurately reflects our financial obligations. [Audit]
- **Process Clarification and Streamlining:** clarify and streamline the process to improve timing and transactional visibility, at each step of the process. Increased coordination between Accounts Receivable and Accounts Payable steps is crucial to avoid unmatched accounting transactions. [Audit]

Installer Onboarding

Process Overview

In the flooring industry, flooring installers typically operate under a sub-contract relationship with the flooring dealer. Due to the competitive nature of this arrangement, some contractors may transition to different dealers in pursuit of favorable terms such as frequency of work, job types, and payment policies. To effectively manage sub-contract installers, it is essential to establish a comprehensive setup within the RollMaster system. This setup encompasses multiple modules to facilitate various aspects of installer engagement. The key areas of sub-contractor setup include:

- **Accounts Receivable/Customer:** This facilitates warranty-related charges, material-only sales for side jobs, and personal use.
- **Accounts Payable/Vendor:** Necessary for processing payments to sub-contractors as 1099 entities.
- **Installation System/Installer:** Enables scheduling, labor payment, deductions, retainage tracking, and associations with providers/crews.
- **Web Calendar User (Optional):** Provides a web interface for installers to view assigned jobs, work to be performed, and options for submitting invoices and other job-related responsibilities, such as attaching photos.

Issues with Current CRT Process

- **Lack of Segregation of Duties:** Presently, personnel in San Antonio handle all aspects of onboarding installers into the above systems. This includes posting labor to be paid, approving payments, and printing and signing A/P checks. For remote locations, San Antonio installation staff handle onboarding and review weekly payroll, while the store manager selects items for payment and handles check printing and signing. [Audit]
- **User Administration Issues:** In the San Antonio market, the setup of the Web Calendar and associated installer options requires the onboarding staff to create a RollMaster user ID for the installer, assign a specific, non-functional menu, and configure various settings on the Web Dashboard. This necessitates unrestricted access to all RollMaster system, company, and user administration options. [Audit]
- **Installer Rate Maintenance:** CRT relies on this option as a key control during the onboarding process, but shortcomings in the setup pose recurring operational challenges. As implemented, CRT currently uses a default labor cost of zero for all services offered by the company and restricts installation staff from changing rates. While effective in keeping unauthorized installers from being paid, this hinders RollMasters real-time job costing capabilities. As designed, the installer rate option is intended for exceptions to the standard rates use but is now used extensively, impacting real-time cost visibility.

Proposed Changes

- **Splitting Onboarding Duties:** To improve efficiency and separation of responsibilities, it's recommended that the tasks of engaging with installers during the installation process and the setup and approvals required for CRT be segregated for improved internal control. Ideally, onboarding tasks should be performed by Accounts Payable personnel for basic RollMaster setup and a system administrator-level user for web setup considerations, as needed.
- **Implement Exception-Based Installer Rates:** To address issues with real-time job cost estimates, it's suggested the CRT begin relying on the standard catalog cost as a base until the actual installer is assigned. This will automatically apply the companies' standard rates to the services, with the ability to override those based on any specific rates applicable to the selected installer. Once implemented, accurate job cost estimates from order inception to completion will be available for reporting.
- **Implement Web-Based Options Company-Wide:** Extend the usage of web-based tools such as the Web Calendar, online invoicing, and the ability to upload proof of completion photos company-wide (currently only used in San Antonio), to enhance efficiency and accessibility for all installers.

Installer Payroll Processing

Process Overview

The process of handling installer payroll at CRT presents a distinctive set of challenges characterized by a decentralized approach and intricate coordination required across seven physical locations, apart from the corporate Accounts Payable department. Furthermore, the organization regularly conducts multiple

check runs for a given location, such as a large check run on Wednesdays with stragglers on Fridays, which is uncommon in the industry.

Issues with CRT Process

- **Excessive Check Runs:** In the industry, installer payroll processes are typically highly structured with minimal flexibility for deviations from standard procedures. Repeating the payment processing task twice weekly, as CRT often does, creates complexities and control challenges that deviate from industry norms. This flexibility can undermine effective internal controls, as it necessitates maintaining multiple bank accounts and authorized signers, potentially exposing the company to fraudulent activities. [Audit]
- **Excessive Distribution Accounts/Signers:** Each location maintains its own distribution account for payroll. Typically, one to two authorized signers among store management or personnel manage these accounts. While multiple accounts offer flexibility for on-demand checks and overcome logistical challenges in distributing physical checks, they pose distinct and wide spread internal control challenges. While these accounts maintain a zero balance, they do not leverage the positive pay functionality provided by banks, outside the San Antonio market. [Audit]
- **Overhead-Intensive Process:** CRT's decentralized payroll process results in redundancies and inefficiencies. Centralizing installer payroll processing, in addition to implementing a standardized schedule can reduce overall processing cost, increase efficiency, and provide the necessary structure and controls for accommodating growth with minimal overhead growth.
- **Unsecured Check Stock:** Check stock is stored in unlocked offices/cabinets at the corporate office, San Antonio warehouse, and all remote locations, raising concerns about the security of physical checks. [Audit]

Proposed Changes

- **Implement Web Calendar Processes for Payroll Submission and Approval:** Leveraging CRT's existing web-based installation calendar can streamline the installer payroll submission and field supervisor approval processes. While some features are in use in the San Antonio market, they are underutilized in remote locations. Full implementation would enable installers to view their assigned work, attach job photos, and submit their invoices for payment to CRT. Field supervisors can then review and approve labor payments and invoices via a permission-based job status change. This approach reduces paperwork and email correspondence related to installer payroll and approvals.
- **Centralize Payroll Process:** While posting and approving installer labor should remain operationally proximate to the services performed, clerical tasks related to administration and accounts payable processes can benefit from centralization. Centralizing the installer onboarding and ongoing maintenance functions, along with cash disbursement processes, will enhance internal control and cash disbursement efficiency.
- **Standardize the Pay Week:** Moving to a single payday per week and standardizing the pay week across all markets can streamline the installer payroll process. Centralized processes for posting installer labor and approvals early in the work week, followed by a cutoff for physical payroll processing, can ensure timely creation, signing, and distribution of payroll checks.

- Develop Non-Check Payment Processes: Exploring and implementing non-check alternatives for payroll payments is essential to consolidate processes and minimize the use of physical checks, which have well-documented risk. While centralized weekly check printing can continue, non-check alternatives offer better exception handling and eliminate logistical challenges associated with distributing ad hoc checks to remote locations.

Installer Warranty Retainage

Process Overview

As part of the typical sales process, flooring dealers are obligated to provide material and installation warranties to purchasers. While most material warranties are the responsibility of the flooring manufacturer, distributor, or are considered operational costs, dealers can hedge against installation related claim costs by creating a retainage deposit held on account for the installer until all warranty periods have elapsed. This balance on account is typically established by deducting a portion of current earnings until the defined balance is achieved. Installer retainage is typically held for one year after the date of the last work performed, with any remaining balances refunded to the subcontractor at that time. In CRT's case, retainage balances are calculated and maintained as follows:

- Soft good Installers (carpet/vinyl) – Retainage deposit target of \$2,500, deducted at a rate of 10% of earnings per week.
- Hard good installers (Tile, wood, stone, vinyl plank) - Retainage deposit target of \$3,500, deducted at a rate of 10% of earnings per week.

Issues with CRT Process

- Lack of Consistent Accounting: While RollMaster allows for tracking the retainage balance and provides methods to consume that balance on warranty claims, as well as repay the subcontractor any remaining balances due once the warranty burden is satisfied, CRT deviates from the system process when conducting back charges (which should reduce the liability) and making repayments. [Audit]
- Incomplete Records: As mentioned above, the system has the capability to track amounts held on account by installers, provided the process is followed as designed. Since this is not consistently the case, the substantiation of the balance sheet liability is incomplete and may not be relied upon. [Audit]
- Shortfall in CRT Liabilities: The company's liability should always reflect all amounts held on behalf of the installers currently working with CRT, as well as any non-active installers who have worked in the past 12 months and still have a remaining warranty deposit. However, conversations with the client suggest that the liability, when adjusted, is only calculated using current installers, disregarding all subcontractors no longer working with CRT but still subject to warranty claims and repayment of balances once the 1 year post work requirement has elapsed. [Audit]

Proposed Changes

- Clean up the Detail: As part of the audit requirement, CRT should furnish a list of balances owed to installers for warranty reserves. Since the quality of this detail is questionable, a review and cleanup project should be initiated to identify the pool of installers potentially owed money and the corresponding amounts.
- Implement RollMasters Retainage Process: Currently, CRT utilizes the system's retainage function to calculate and handle deductions from installers' pay to create the warranty deposit. However, the corresponding back charges through the process are processed inconsistently, impacting the quality of source documents required to support the warranty debt and satisfy audit requirements.

Installer Payroll Liability

Process Overview

At any given time, it's probable that the company owes installers money for work they have completed, without having posted any liability on CRT's books. To support this liability, RollMaster accumulates all labor postings made to the system that have not yet been transferred to the accounts payable module and subsequently posted to the general ledger. The corresponding Installer Payables report serves as both evidence of any end-of-period liability and an earnings report to ensure all payroll intended for payment is being processed (akin to an hours and earnings report).

Issues with CRT Process

- Report Errors: Upon reviewing the report and engaging in discussions with installer payables, it's become evident that this report is not routinely reviewed and contains numerous records spanning the past 20 years of installer payroll. The questionable data contained within renders the report of little current value.

Proposed Changes

- Clean Up the Detail: A potential liability that may need to require addressing during an audit is any liabilities related to installer earnings that are not yet reflected in the income statement or work in progress. Since this report can provide this information, it is advisable to initiate a review and cleanup project to validate all amounts currently displayed as outstanding.
- Incorporate Report Review in Weekly Installer Payables Process: Typically, this report is reviewed as part of the weekly process to verify that all installers for whom earnings have been posted are being paid and that any exceptions are duly noted.
- Accrue Labor Liability at Month End: Given the infrequent alignment of the month-end and weekly installer payroll cycles, it is appropriate to review and accrue approved but unpaid labor at the close of the month. This accrual should be based on labor posted to jobs but unpaid through the last day of the month, supported by the Installer Payable Report.

Inventory Costing – Freight

Process Overview

Within the RollMaster system, the valuation of inventory involves considering two key components: the purchase price of an item and the associated inbound freight cost. Accurate estimation and inclusion of the expected inbound freight cost are fundamental to the purchasing process. Upon the physical receipt of materials, the estimated cost and freight from the Purchase Order become the temporary carrying cost of the items in inventory. This cost is finalized through the costing of the vendor's Accounts Payable (A/P) invoice for the purchase when posted. The reconciliation process involves matching the Purchase Order and its line item receiving records to the invoice line details. Any discrepancies are resolved by updating the cost of the received items to align with their actual vendor cost. While the freight component is typically addressed concurrently, it can also be managed as a separate process (with the same steps) if a third-party freight carrier is involved.

Issues with CRT Process

- **Inconsistent Freight on Product Catalog:** A review of CRT's product catalog reveals numerous instances where "estimated freight" is either missing or inconsistently applied. Given the significant impact of inaccurate or incomplete costs on job cost calculations, this area requires ongoing monitoring and updates.
- **Inconsistent Costing of Freight in A/P:** Inbound freight is directly expensed to delivery cost for invoices from several hard surface/supply vendors. The handling of freight costs for specific products included in these deliveries is not consistently documented (e.g., carrying zero cost, carrying a cost not matched in A/P, inconsistent treatment from receipt to receipt). There are also cases where CRT deviates from the correct treatment of freight, such as when a customer pays for freight as a separate line item in their purchase, which results in CRT bypassing the costing of the freight for these scenarios. [Audit]
- **Perpetual Inventory to Book Variances:** In RollMasters subledger-based system, maintaining consistent cost treatment between the perpetual inventory and A/P (and the general ledger) is essential. The perpetual inventory, serving as the authoritative source for inventory value, will not align with the general ledger value if costs are posted to the inventory account that are not tied to the Purchase Order through the costing process. This discrepancy can occur when A/P invoices are posted without referencing the Purchase Order (classified as non-PO A/P items) or when items are included in the costing process but coded differently in the general ledger (adding freight to the cost but expensing it instead of posting it to inventory). [Audit]

Proposed Changes

- **Optimize Freight Setup:** RollMaster offers various options to address the freight issue. These options range from methods to automatically populate/update catalog freight values to batch processes for mass catalog updates. CRT should review and implement the most suitable solutions to maximize the utility of catalog freight while minimizing administrative overhead.

- **Define and Document Freight Costing:** Clear guidelines should be established and documented for costing freight. While most freight costs should be assigned to the associated inventory being purchased, exceptions may arise in cases involving drop fees and lump-sum rate scenarios. CRT should define and document the specific situations when inventory should be directly costed to items and when it may be more appropriate to treat freight as a burden rather than a direct job cost.

Warehouse Staging/Shipping Process – Remote

Process Overview

In all locations except for San Antonio, orders are staged in RollMaster and the warehouse, but the critical step of shipping the products at the time they leave the warehouse is omitted. While this eventually self-corrects via the order invoicing step (as all materials are relieved from inventory), there exists a lack of clarity in distinguishing between items assigned and physically present in the warehouse versus those materials issued to installers/customers but not yet invoiced for various reasons.

Issues with CRT Process

- **Challenging Inventory Management:** A clear distinction between work in progress (items that have been shipped but not yet completed) and goods in the warehouse is crucial to efficiently and effectively manage inventory. [Audit]
- **Physical Inventory process impairment:** As a result of the omitted shipping step, a physical inventory of the remote locations proves challenging due to the fact that RollMaster thinks all items are in the warehouse, where in reality a significant amount has been shipped and is missing from the warehouse by design. While this challenge doesn't pose a hard stop to a physical inventory, it exponentially increases the amount of time and research needed before being confident an actual adjustment is needed. [Audit]
- **Limited Value in Reports:** Since all materials currently present, along with items being installed, share the same status in inventory, it is impossible to utilize reports as a measure of capacity or need. This makes optimal stocking a challenging endeavor.

Proposed Changes

- **Implement Shipping Steps:** Train remote teams to properly ship materials and conduct material returns as needed to accurately reflect the status of inventory as either present in the warehouse or shipped.
- **Implement Cut sheet process:** The Cut sheet process is integral to the inventory modifications needed when an existing roll of carpet or sheet vinyl is cut, thereby creating new inventory items. As noted in the San Antonio warehouse staging section, the timing or omission of these steps results paperwork discrepancies that should be avoided.

Invoice Timing/Revenue Recognition

Process Overview

In RollMaster, the invoicing process serves as the primary means of recognizing revenue and associated sales costs. The primary trigger for invoicing should be the delivery of all materials and the completion of all applicable installation services.

Issues with CRT Process

- **Timing of Invoicing Process:** In the case of CRT, valid jobs that are ready for invoicing can be delayed until the following month based on the timing of the installer payroll component, rather than the completion of the installation. While aligning labor costs with revenue recognition is desirable, labor should be accrued in the month of the work, instead of postponing revenue recognition based on subcontractor payment timing. [Audit]
- **Effects on Accounts Receivable Collections:** The invoice date for customers plays a crucial role in the accounts receivable collections process. It drives the customer's payment process, the dealer's collection procedures, and, if prompt payment discounts are offered, represents a direct cost to the dealer. Delays in customer invoicing result in additional interest-free financing provided to customers and can often lead to increased short term debt to cover delays in collections.

Proposed Changes

- **Accrue Labor Liability at Month End:** Given the infrequent alignment of the month-end and weekly installer payroll cycles, it is appropriate to review and accrue approved but unpaid labor at the close of the month. This accrual should be based on labor posted to jobs but unpaid through the last day of the month, supported by the Installer Payable Report.
- **Backdate Invoices:** Regardless of the calendar date on which the order is actually invoiced, the invoice date itself should be backdated to reflect the day of completion, irrespective of the timing of the installer payroll. Beyond the accounting implications, properly dating invoices strengthens the dealer's position concerning the timing of collections. Additionally, it bolsters the dealer's lien rights, should collection issues escalate to that point.

Warehouse Location Optimization

Process Overview

Effective and efficient warehouse management relies heavily on a well-structured warehouse location system. This system facilitates storage, picking, and counting of physical materials.

Issues with CRT Process

- **Poor Utilization:** CRT's warehouse locations, while established, are not utilized effectively, particularly beyond the general aisle the material is stored in. This is complexity, along with a lack of warehouse personnel accountability for location accuracy contribute to this issue. There is also a lack of regular procedures for updating inventory locations.

Proposed Changes

- **Simplify Location Structure:** CRT should simplify its location structure by incorporating a more intuitive approach, such as incorporating a rack and shelf rather than hyper-specific shelf space. A clear and hierarchical structure, such as "Aisle-rack-Shelf," improves orientation and location identification.
- **Cultivate a Culture of Accuracy:** CRT should establish clear expectations for warehouse personnel regarding inventory location accuracy to promote a culture that prioritizes accuracy.
- **Implement scaled processes at the remote locations to ensure inventory location accuracy.**

Inventory Adjustment Process

Process Overview

Inventory adjustments, both favorable and unfavorable, are common in warehouse environments. Therefore, it is crucial to identify the reasons behind these adjustments to improve operations and minimize issues in the future. Standardizing the approach and information content related to inventory adjustments is essential for meaningful analysis and corrections, while also encouraging continuous improvement.

Issues with CRT Process

- **Adjustments Made in Various Ways:** CRT uses an alternate method for handling inventory adjustments, particularly negative adjustments, by assigning the quantity to a customer (internal) order and invoicing that order monthly. However, this method does not accommodate positive adjustments. This results in incomplete records and fragmented data sets, making it challenging to gain meaningful insights from the current approach.
- **Adjustments Omitted:** CRT has a policy of making only negative adjustments to inventory, even when a count indicates a positive adjustment is needed. The rationale behind this policy has not been quantified or substantiated, leaving questions about the impact on inventory accuracy as secondary to these goals.

Proposed Changes

- **Develop Inventory Adjustment Process:** CRT should standardize the process for adjusting inventory at its San Antonio warehouse and remote locations. Implement system requirements and best practices for handling inventory adjustments. Develop a reporting process to track the primary drivers of adjustments to establish performance metrics and goals.

Custom Home – Installer Draws

Process Overview

In custom home orders, labor lines often deviate from the structured, catalog-driven process used elsewhere in the company. Instead, a bid-driven approach is commonly adopted due to the unique nature of installation services in custom projects. The bid encapsulates all aspects of the work and payments. Draws against the Bid are common and based on a percentage of completion.

Issues with CRT Process

- **Draws Not Tied to Orders:** CRT's current process involves paying draws by entering positive and negative adjustments to installer payroll records without a direct link to the corresponding order. This method lacks order-specific ties and may result in tracking difficulties and information gaps. [Audit]

Proposed Changes

- **Rework Draw Process to Tie to Orders:** Develop and define a draw process that incorporates all aspects of the draw within the order it relates to. This integration will allow for better tracking, monitoring, and balancing of total draws versus the bid amount.

Areas of Concern – 2024 and beyond

Accounts Receivable Collections Process

Process Overview

As in most industries, dealers typically involved in market segments beyond retail are faced with Accounts Receivable (A/R) and the associated collection challenges inherent to that process. Given this reality, it is essential to establish a structured and well-defined process for managing collections rather than relying on ad-hoc approaches. An effective collections process should encompass clear timelines, a progressive escalation framework, well-defined expectations, and transparent communication.

Issues with CRT Process

- **Inconsistent Collection Policies:** As previously noted, CRT's approach to collections lacks structure and appears more ad-hoc than methodical. While efforts are made to collect outstanding amounts (which appear to be effective), the company's collections process lacks many of the essential components needed for an efficient system. This deficiency can impact the customer relationship, especially during challenging conversations related to overdue payments.

Proposed Changes

- **Create and Define a Collection Process:** CRT should undertake the development of a comprehensive and well-defined collections process. This process should encompass the entire spectrum of actions, starting from the moment an account becomes past due and extending through the collections and bad debt resolution phases. Key elements of this proposed solution include:

- **Customer Communication Outlines:** Establish clear and consistent communication guidelines for interactions with customers. These guidelines should outline the messaging, tone, and frequency of communications.
- **Progressive Escalation:** Develop a framework for escalating collection efforts as needed. Define criteria that trigger each level of escalation, such as the number of days past due or the outstanding balance.
- **Expectations Setting:** Clearly communicate expectations to customers regarding payment timelines and consequences of non-payment. Ensure that customers understand the ramifications of overdue accounts.
- **Transparent Communication:** Maintain open and transparent communication channels with customers throughout the collections process. Provide regular updates on account status and resolutions.

By implementing a structured collections process, CRT can enhance its effectiveness in managing AR, improve cash flow, and maintain positive customer relationships even in challenging situations.

PO – AP Cost Change Review

Process Overview

In RollMasters job costing system, the matching process between the Purchase Order (PO) receiving record and the corresponding vendor's invoice is pivotal for accurate inventory/cost accounting, use tax calculations, job cost/commissions, and overall financial accuracy.

Issues with CRT Process

- **Lack of Review:** CRT's system generates information about the accuracy of PO costs and freight through the normal processing of PO-related invoices. However, this data is not regularly reviewed. Regular review of this information can help identify A/P errors in cost review and serve as a source of potential catalog cost corrections.

Proposed Changes

- **Regular Review by A/P:** CRT should establish a practice of reviewing the report and addressing any errors made by the A/P staff. Active monitoring of cost changes can help ensure accurate financial records and effective cost management.
- **Regular Review by Purchasing/Catalog Maintenance:** CRT should involve the purchasing and catalog maintenance teams in reviewing the report to identify and correct catalog cost changes. Effective communication between purchasing and A/P is essential for maintaining accurate costing processes.

Product Code Setup Deficiencies

Process Overview

RollMasters product code setup is pivotal in defining operational parameters for products and services, such as distinguishing roll goods from other items, categorizing materials, specifying dye lot requirements, and assigning inventory costing methods. It also plays a crucial role in product searches and reporting.

Issues with CRT Process

- **Inconsistent Setup:** Inconsistencies in product code setup include missing required B2B codes and valid codes lacking the necessary setup in all locations.
- **Overutilization of "07" Factor:** The excessive use of "07" factor codes complicates tracking as each receipt is tracked as its own inventory SKU. This affects operational efficiency, particularly in the context of warehouse barcoding.

Proposed Changes

- **Eliminate Inconsistencies:** CRT should standardize product codes across all branches, assuming that the same flooring products are available at all locations. This consistency simplifies management and reporting.
- **Minimize "07" Factor Setup:** Transition to using "02" factors to group identical style/color items by dye lot and average costing, and "08" factors to group identical style/color non-dye lot products/average costing. This approach simplifies tracking and management.
- **Review and Evaluate Additional Setup Options:** CRT should explore further setup options, such as required notes, catalog overbill/freight defaults, and optimize labor accumulators for labor scheduling.

Warehouse Staging Process – San Antonio

Process Overview

The daily staging of orders in flooring warehouses is a crucial task in preparation for future installation or pickup. This process involves various tasks, including picking materials from their storage locations, palletizing materials for efficient handling and storage, cutting carpet and sheet vinyl materials as required, and physically segregating materials for a streamlined loadout. To facilitate this process, the system generates pick tickets and work order documents.

Issues with CRT Process

- **Steps Out of Sequence:** CRT currently initiates the shipping process for orders before completing any of the operational steps outlined above. This means that orders are effectively pre-shipped before the warehouse even interacts with the order, potentially causing complications if any issues are discovered during staging, necessitating the undoing of the shipping step.

- **Inaccurate Paperwork:** The pre-shipping of items before cutting carpet/sheet vinyl leads to the omission of crucial information used to verify the correct items are being picked and shipped. Specifically, it results in missing information regarding the size of the pieces being shipped and their cut sequence numbers. This information is typically generated during the cutting process but, in CRT's case, occurs operationally in the warehouse after CRT has indicated the items have been shipped. Consequently, the paperwork lacks essential details, such as the dimensions of the piece and the Cut Sequence from the respective stocking roll. This omission can lead to discrepancies during the installer/customer handoff process. [Audit]
- **Limits to System Utilization:** The pre-shipping process bypasses one of the primary benefits of the barcoding system, which is the verification of goods leaving the warehouse. It also eliminates the use of the Batch Work Order feature, which could offer an alternative to the shipping process. This restriction arises because all goods have already been marked as shipped previously.

Proposed Changes

- **Consider Multi-Bin Inventory Processes:** For larger warehouses, RollMaster provides the option to activate additional inventory functionality related to the storage of similar products in multiple locations within the warehouse. When this feature is activated, two significant changes occur. First, on the order assignment side, the process focuses less on specific inventory locations and instead prompts users to select items or desired dye lots available in the warehouse. Second, during the staging process, a defined picking step is introduced, asking warehouse personnel to specify the location from which they will pull stock as part of staging the order for shipment.
- **Separate Staging & Shipping:** Replace the current pre-shipping process with steps that align more closely with the operational flow in the warehouse while addressing paperwork accuracy issues. This would involve introducing a pre-stage document (pick ticket) for physically staging the order (including cutting of roll goods), a staging document (comprising the staged material and all labor to be performed, with separate copies for the warehouse and installer), and a shipping step via handheld devices or the Batch Work Order process (focused on processing only, with no need for printing).

Catalog and Inventory Control Setup Deficiencies

Process Overview

The RollMaster catalog serves as the foundation for the proper utilization of the system. As a real-time job cost system, the effectiveness of this function and its ability to safeguard the company's profitability necessitate a commitment to maintaining a comprehensive and accurate catalog. An accurate catalog is not only crucial for internal operations but also impacts customer service, as it plays a vital role in ensuring a professional sales experience, preventing issues related to pricing, availability, and document presentation during the sales process.

Issues with CRT Process

- **Minimal Management Efforts:** CRT currently places minimal emphasis on managing the company's catalog of saleable products and services. Responsibilities such as item cost, expected freight, and availability are left to individual salespeople to resolve, which can lead to orders that are not adequately profitable. This approach is not typically observed in companies with sales exceeding 5-10 million in gross revenue. Furthermore, labor items in the catalog lack a base cost, which hinders the job cost system's effectiveness. A review of CRT's active non-B2B material catalog revealed that over 95% of items have not received a price update in the last 24 months with most never having had a price update.
- **Incomplete Stock Product Setup:** While the basic product setup is complete, optional settings such as marking materials as stocking and adding safety stock levels are often overlooked. These settings enhance the utility of corresponding reports and usage data, particularly for managing stocking SKUs.
- **B2B Catalog Errors Not Reviewed:** CRT follows a regular maintenance process for the B2B catalog import, which involves catalog additions, price updates, and discontinued products. However, errors generated during this process, such as missing product codes or box size changes, are not reviewed.

Proposed Changes

- **Catalog Clean-up Project:** To pave the way for active catalog management, CRT should initiate a catalog clean-up project. As an example, This might entail deactivating non-stocking styles that haven't been sold within a specified timeframe (e.g., 24 months) and have no current inventory or open orders/POs. This approach prioritizes maintaining a lean catalog over adding items that aren't actively managed.
- **Establish a Catalog Maintenance Role:** To maintain a functional catalog, CRT should create a defined role responsible for ensuring pricing accuracy, keeping drops updated, and overall catalog management. This role can either be integrated into an existing purchasing/catalog management role or may require additional staffing if CRT shifts to an actively managed purchasing function.
- **Establish Base Pricing Levels:** CRT should consider implementing base pricing levels that are less reliant on cost maintenance function deficiencies. This approach would provide more reliable margin-based pricing models as well as enable advanced QR code pricing/product lookup options.

Builder Order Processing – Non-Custom

Process Overview

In the flooring industry, the non-custom builder segment operates differently from retail sales in several key ways. Most notably, these differences include standardized floor plans, limited product selections, pre-negotiated sale pricing, and builder/development-specific work and reporting requirements. Consequently, the processing of builder orders is primarily driven by the need to efficiently and accurately create orders that incorporate these standardized characteristics in high volumes.

Issues with CRT Process

- **Double Check Intensive:** Throughout the current process, the builder order entry staff is required to conduct double checks on product selections, costs, selling prices, and other relevant parameters to ensure minimal downstream issues. This approach contrasts with a centralized, managed process where the focus is on providing correct information via setup, allowing order entry staff to concentrate on accurately reflecting order-by-order differences.
- **Copy Intensive Process:** While copying a similar order and using it as a baseline for a new order is a common shortcut, an overreliance on this method can lead to additional checks by order entry staff. This is due to the inherent limitations of using potentially problematic starting points, thereby perpetuating a series of additional preventable problems. This approach differs from industry standards where RollMaster templates serve as the single source of product selections, quantities, and common variations, resulting in an approved starting point for the process.

Proposed Changes

- **Implement Special Pricing Options:** RollMaster offers a robust pricing module tailored for the builder market. This module allows builder selections and customer pricing to be stored and maintained in a single database, automating the pricing steps and eliminating the need to rely on previous orders and double checks to ensure accurate information.
- **Implement Builder Template Options:** RollMaster provides the capability to create templates commonly used for non-custom home orders and multi-family customers. These templates range from complete, perfect orders containing all variations to simplified product selections. Regardless of complexity, the goal is to reduce uncertainty by focusing on the specific requirements of builders, product groups, and defined floorplans.

Inventory Assignment Timeframes

Process Overview

When a flooring dealer receives a firm customer order, one of the immediate steps is to address material requirements. This process involves creating purchase orders (POs) for non-stock materials, allocating stock, and arranging for inventory transfers if the material is not available at the selling location. However, the timing of these steps must be optimized not only for customer service but also for operational and financial efficiency.

Issues with CRT Process

- **Purchasing:** Premature purchasing of materials is a common issue in many flooring companies, where materials are often bought without due consideration of when they will be needed. This process, especially for special order materials, can result in operational and financial challenges due to an overemphasis on locking down materials early in the process.
- **Transfers:** Inventory transfers between remote locations and the San Antonio warehouse occur frequently at CRT. However, these transfers are often initiated via email or cross-branch assignment reports, potentially leading to operational and obsolescence issues should the anticipated usage not occur.

- **Stock Assignment:** The timing of stock inventory assignments is a critical component of effective inventory management. Premature assignment of inventory quantities can result in inefficiencies, mathematical shortages, and buying for availability rather than based on current needs.

Proposed Changes

- **Purchase Order "Need Date":** Implement a "Need Date" field in purchase orders to facilitate better purchase and operational management. This will allow for more strategic purchasing, especially for multi-phase projects with staggered material requirements.
- **Implement Transfer Request Features:** Utilize RollMasters features for requesting transfers of both order-specific and stocking materials. This approach, while similar to the current email-based process, puts the local requestor in control of when they receive materials, enabling better local inventory management.
- **Standardize Stock Assignment Process:** Standardize the timing of stock assignments, ensuring consistency and efficiency in the process. This will prevent premature assignments and support effective inventory management.

Process Documentation

Process Overview

Business processes, often undervalued or deemed as optional, form the core of any business. Properly designed and documented processes offer substantial risk mitigation benefits through operational redundancy and consistency, laying the groundwork for continuous operational improvement. Additionally, for organizations seeking public accounting attest services or potential acquisition partners, comprehensive process documentation is frequently a prerequisite.

Issues with CRT Process

- **Lack of Documentation:** CRT, amid significant growth, lacks well-documented processes and relies on a person-to-person training approach, introducing key personnel risk and operational inefficiencies to the process.
- **Lack of Operational Redundancy:** Key personnel risks are pronounced at CRT due to a dearth of operational managers, with ownership playing an outsized role in day-to-day operations.
- **Impact on Business Opportunities:** The absence of comprehensive process documentation may affect CRT's marketability and debt options, particularly concerning potential acquisitions.
- **Balance Sheet Audit:** CRT's commitment to a Balance Sheet Audit for the year ending December 31, 2023, necessitates thorough internal controls and process documentation to avoid increased costs, delays, or a qualified audit opinion.

Proposed Changes

- **Documentation of Operational Processes:** Define and document operational processes to enhance employee training and establish a baseline for evaluation.
- **Documentation of Accounting processes:** Document the proper processing of accounting transactions, in addition to checklist/control documents related to the daily, monthly, and annual accounting closing process.

Software Reimplementation

Process Overview

CRT has utilized Broadlume Business Management System (formerly RollMaster) for approximately 26 years. However, changes in the industry and CRT's business evolution have rendered certain decisions and setups outdated and potentially inappropriate for the current business volume and segments.

Issues with CRT Process

- **Outdated Setup:** CRT's software setup, made over 20 years ago, leads to operational inefficiencies and suboptimal reporting due to subsequent business evolution and process tweaks.
- **Data Retention Bloat:** While Broadlume BMS is widely acknowledged for its robust data management capabilities, CRT, having operated for 25 years, grapples with issues related to excessive data retention within the system. Although the system offers convenient access to historical data, it is essential to acknowledge that retaining data beyond warranty and replacement timeframes may lead to heightened software and operational inefficiencies. The benefits derived from on-demand access to data spanning more than two decades must be carefully weighed against the associated drawbacks, including potential impacts on system performance and operational effectiveness.

- General Ledger Chart of Accounts: The General Ledger Chart of Accounts serves as the foundational framework for financial organization within a business. While customization is inherent to each business's unique requirements, there exists a fundamental structure that generally transcends industries. In the specific context of CRT, a strategic decision was made during the Broadlume BMS implementation to position the cost center at the forefront of the account number rather than as a trailing element. While this decision may have aligned with the business context at the time, the subsequent expansion necessitated by company growth has led to a structure that diverges from an optimal and easily comprehensible accounting framework. A significant challenge arises from the dispersed placement of accounts (e.g., Repairs & Maintenance) throughout the account listing, rather than being logically grouped. This fragmentation impedes the seamless access and reporting of similar accounts across all cost centers. The consequence is an operational landscape where users are compelled to extract data for all accounts, necessitating additional steps to refine and structure the information for meaningful reporting and analysis. This not only hampers efficiency but also deviates from the ideal scenario of obtaining directly usable data from the accounting system. Another challenge of the current structure relates to the difficulty in learning and navigating the account structure, in addition to a default sort of account numbers that forces users to engage in a time-consuming process of hunting for accounts and their variations, detracting from the precision and reliability of financial processes and increasing the changes of errors and omissions.

Proposed Changes

- Re-implement Broadlume BMS – While acknowledging the significance of this decision, it's noteworthy that multiple long-term dealers using Broadlume BMS have achieved considerable efficiencies by re-implementing the system to address outdated setups and accounting challenges. This approach presents advantages such as increased system speed, familiarity for current employees with the software, minimal data conversion challenges, and a reduced implementation burden on operations and personnel. Moreover, a reimplementation offers the opportunity to establish a renewed Chart of Accounts that aligns with current business needs, supports future growth, and enhances the efficiency of extracting and analyzing data for both internal and external users. This strategic move aims to optimize the system's performance and better align it with evolving business dynamics.



APPENDIX I

INITIAL IT VULNERABILITIES & RECOMMENDATIONS

CRT Flooring Concepts Initial IT Assessment

Vulnerabilities

- No domain affiliation or other login controls
 - The lack of these controls could result in loss of information if a device is lost or withheld after employment termination.
- No redundancy on broadband
 - Without a secondary broadband service, business can be interrupted if the primary broadband service fails.
- Unmanaged networks
 - Consumer grade network hardware is not patchable against new risks, and all hardware is exploitable to some degree. Managed network hardware can be remotely patched to address new risks.
- No IT risk training or practices
 - Among the most common types of Internet fraud is “phishing”, which is someone using social engineering to fool an employee into taking an adverse financial action. Phishing training can help employees avoid unintentionally helping bad actors defraud the business.
- Emailing PDF internal documents over insecure network
 - If a bad actor can, through phishing or other social engineering efforts, gain access to an employee’s computer, then they can potentially use the compromised PC to send forged documents resulting in unauthorized financial transactions (e.g., paying a fake invoice).
- Security NVR in insecure office location
 - The primary benefit of a security camera system is to document events for later review. If the security system is in an insecure location, a burglar could simply unplug it and take it away, thus concealing evidence of the crime.
- Using Wi-Fi extenders
 - While Wi-Fi extenders are not necessarily an insecure solution, they are by design not a performant solution. If the Wi-Fi range needs to be extended, new Wi-Fi access points with wired network connections should be used.
- No Wi-Fi segmentation
 - One of the keys to minimizing the damage from a network intrusion is to segment the network and only allow access to each segment as required to perform necessary functions. This prevents the compromise of one network segment from compromising the entire network.
- No advanced Wi-Fi security
 - Using only a static Wi-Fi password for network security allows anyone with the password (e.g., terminated employees) to access the network. Since Wi-Fi networks pass through walls, this allows someone outside the CRTFC buildings (e.g., the parking lot) to access the Wi-Fi network.

CRT Flooring Concepts Initial IT Assessment

Recommendations

What	Why	Priority
Secure the IT equipment at all locations behind locked doors	Prevents physical intrusions at the network head end	Critical
Move the Security NVR at the warehouse into the secure IT room	Prevents a burglar from stealing the NVR to eliminate evidence of the crime	Critical
Upgrade networks at both SA locations to Unifi managed networks (taking advantage of existing Unifi WAPs)	Allows for more advanced design (e.g., segmentation), management and intrusion detection/prevention	Critical
Segment the network (public, private, security) and add Radius authentication to private subnets.	Protects proprietary information by restricting sensitive information to private networks and requiring Wi-Fi network logins	Critical
Evaluate broadband bandwidth requirements and upgrade service as required	Ensures adequate bandwidth for site-to-site VPN and surveillance system	Critical
Install a second broadband (possibly 5G) at both SA locations	Improves overall broadband reliability and ensures business continuity in the event of broadband outages at either site	Critical
Create a site-to-site VPN between the two SA locations	Enables secure transfer of information between the two SA sites and allows document access on the NAS from both sites	Critical
Add additional Unifi WAPs as needed at both SA locations to ensure good Wi-Fi coverage	Improves performance and stability of network for end users	Critical
Install a Synology NAS w/Surveillance Station at the warehouse location and migrate the cameras	Enables a SA-wide security camera system, with cameras and viewers at both locations	Critical
Configure Synology backup to AWS Glacier	Ensures data recovery in the event of catastrophic loss of Synology NAS	Critical
Implement remote management for all company-owned PC’s, with the ability to remotely wipe the HDD	Allows remote disabling of logins, preventing lost or stolen PCs from leaking company information	Critical
Create one or more shared volumes on the Synology NAS for file sharing, and set access permissions per job role	Compartmentalizes information and enables access on a need-to-know basis, and reduces unsafe transport (i.e., email) of proprietary business information	Critical

CRT Flooring Concepts Initial IT Assessment

Implement Synology Drive or Microsoft OneDrive (as appropriate) on all PCs for secure file transport	Provides shared access to document folders while ensuring that all files are encrypted while in transit	Critical
Contract with remote IT support for management of infrastructure and PC's	Ensures that security posture is maintained as the business changes and new risks emerge	Critical
Add perimeter surveillance cameras on N Loop office location	Captures comings and goings, and provides evidence in the event of break-ins or insider thefts	High
Review and adjust broadband provisioning at each remote location	Ensures that each site has suitable broadband capacity to facilitate all necessary business operations	Medium
Implement Unifi networks at all non-SA locations	Allows segregation of Wi-Fi network traffic into public and private networks, and allows for remote management including Radius	Medium
Synology NAS and Surveillance Station at each non-SA warehouse	Captures comings and goings, provides evidence in the event of break-ins or insider thefts, allows monitoring from SA offices	Medium

Priority Legend:

Critical – means that this is an essential action to protect the physical and/or information security of the company, and that failure to take this action could compromise the survivability of the businesses.

High – means that this is a highly recommended action that will result in improved security and should not be deferred.

Medium – means that this is a recommended action that will result in improved security but could be deferred if there are budgetary constraints.

Low – means that this action would provide business benefits but does not improve the security posture.



APPENDIX J HUMAN RESOURCES ASSESSMENT

**J&R Sales, Inc. – a Texas Sub S. Corp. d/b/a CRT Flooring Concepts
Human Resources Summary Assessment**

The following information is provided as a recommendation to you. It is not intended to represent legal advice.

Assessment Summary

Acrisure HR Consultant has completed an external assessment on the following areas:

- Employee Handbook & Policies
- Recruitment & On-Boarding
- Record Keeping
- Wage and Hour
- I-9 Recordkeeping
- Training
- Performance Management
- Disability Procedures - FMLA/ADA
- Employee Separation
- Legal Postings

Assessment Summary:

Current HR responsibilities are being handled by the CEO of the company with the administrative tasks delegated to the Front Desk Receptionist. Neither possess HR backgrounds nor are they well versed in employment law and regulations. This leaves the company at great risk and exposure for non-compliance with state and federal regulations.

In reviewing our notes from the interview meetings, it became apparent that there is a lack of consistent policy and procedure in place from an HR perspective. Although there are some unwritten best practices in place, they have not been applied to all situations or employees.

Most business practices are “ad hoc” which lends itself to management inconsistencies and present not only a legal risk, but potential to affect morale and productivity. Although the company does have an employee manual, it is in dire need of updating. It does not adhere to standard federal laws nor contain necessary policies to prevent inconsistencies and potential claims of discriminatory practices. This manual is currently distributed to all new hires as they join the company.

There are a few areas that leave the company at great exposure to potential fines and penalties as there are no guidelines and training for consistency and compliance.

The items that cause the greatest concern are as follows:

- There is non-compliance in proper steps to complete the I-9 forms. Also an expired form was being utilized. The second page which is the employer’s responsibility to complete, has not been completed in any of the examples provided for review.

New I-9s were not completed at the time of the transition to ADP Workforce as initially explained and understood.

- Employee leaves of absence, as protected under the Family Medical Leave Act (FMLA), have not been managed in accordance with the law, and employees have not been notified of their rights in a traceable manner upon request for leave. **CRT Flooring Concepts** has generously held positions for a few individuals while out of work on a leave of absence for an extended period of time. This is an area of vulnerability going forward as this will need to be applied consistently.

Items that require attention but are not as vulnerable are as follows:

- The employment application should be updated, reflecting the removal of the question “*Have you ever pleaded guilty, no contest or been convicted of a crime?*” which may have disparate implications. The EEOC recommends as “best practice” that employers not ask about arrests, which are not proof of criminal conduct, and not ask about convictions on the job application. Instead best practices would be to ask limited questions at the time a contingent offer of employment has been made.

There is also a request for the applicant’s social security number. This should also be removed and only be requested once a contingent offer of employment has been extended to applicant.

- There are no set processes in place for performance assessment. Thus, employees do not receive regular feedback.
- Annual reviews are not given consistently. This may lead to inconsistency, confusion, and discrimination claims if action is taken against an employee and there is not a documented history of the employee’s performance.
- Checks and balances need to be in place for employee salary adjustments. Meaning a payroll adjustment form with corresponding signatures needs to be implemented for all salary and benefit changes. This will ensure proper financial controls.
- There is no protocol set for handling disciplinary issues as well as proper documentation.

Employee Handbook & Policies

Summary of Findings

CRT Flooing Concepts currently has an employee handbook in place, however it is in need of updates as there are a few key policies (e.g., Family Medical Leave Act (FMLA), Americans with Disabilities Act, USERRA) missing as well as updating company specific policies. A review of the employee handbook should be conducted annually.

Recruitment & On-Boarding

Summary of Findings

- There are no formal procedures or guidelines for interviewing applicants, which may lead to inconsistencies and potential discrimination.
- Candidate offer letters reference an annual salary, however it does not reference pay per period. This places the company at risk if an employee is terminated mid-year, as the employee has a written contract that they will be paid a set amount per year regardless of length of employment.
- The new hire onboarding documents are scanned into electronic files as one document.
- The ADP onboarding module is not being utilized to its maximum potential. New hires are being given a hard copy of the new hire packet to complete. The packet is then sent from satellite offices to the corporate office for the data to be utilized to manually set up and generate login credentials for employees to log in and complete remaining new hire documents (i.e., banking info and direct deposit authorization, etc.).
- Formal job descriptions for each position have not been created.
- There is no formal internal open positions postings program, only e-mails sent out internally.



- There is no resume retention policy for applicants, and resumes are kept for inconsistent lengths of time. The law states that all solicited resumes must be kept for one year from the position fill date (new hires start date), however this does not apply to non-solicited candidates who do not meet the qualifications of the open positions.

Record Keeping

Summary of Findings

- I was not able to review the employee files for those hired prior to the transition to ADP Workforce in September 2022. The files are potentially stored in a locked cabinet and the key has been misplaced. With the transition to ADP Workforce, all new hire documents are now being stored online.

Wage & Hour

Summary of Findings

- Job descriptions have not been written for all employees, nor have the positions been tested for exemption status.
- There are no essential job functions listed for each employee, thus creating a challenge if the employee requires a modification under the Americans with Disabilities Act (ADA) or the Family Medical Leave Act (FMLA).
- No process to test and classify employees under the Fair Labor Standards Act (FLSA).
- Any salary adjustments are not indicated on a salary adjustment sheet. In addition, information regarding promotion or salary adjustments are not documented to explain the salary adjustment. This places the company at risk for discriminatory practices.

I-9 Recordkeeping

Summary of Findings

- The original I-9 documents were not reviewed as their current location is inaccessible. They could potentially be in the locked cabinet and the key has been misplaced.
- I-9s were recently being completed on an expired form. The I-9s are currently being completed by new hires online in ADP Workforce platform. They are missing the entire 2nd page which is the employer's section that is to be completed within 3 days of the employee's hire date.
- The following is a brief description of potential fines for I-9 form violations:
 - *The minimum fine per violation for substantive paperwork or uncorrected technical violations was increased from \$237 to \$252;*
 - *The maximum fine per violation for substantive paperwork or uncorrected technical violations was increased from \$2,360 to \$2,507;*
 - *First offense fines were increased from \$583-\$4,667 to \$627-\$5,016;*
 - *Second offense fines was increased from \$4,667-\$11,665 to \$5,016-\$12,537; and*
 - *Third or subsequent offense fines were increased from \$6,999-\$23,331 to \$7,523-\$25,076.*



Training

Summary of Findings

- There is no formal training program other than typical safety basics.
- Employees have not recently been trained on harassment and discrimination prevention.
- There has been no management training (performance management, disciplinary process and documentation, harassment, etc.)

Performance Management

Summary of Findings

- Performance appraisals have not been conducted on a consistent basis.
- There is no formal feedback process and managers are not trained in feedback techniques and documentation.
- There is no formal sheet or sign-off procedure for compensation adjustments.

Disability Procedures - FMLA/ADA

Summary of Findings

- There is not a formal leave administration process in place in accordance with the Family Medical Leave Act (FMLA).
- Management has not been trained on the leave laws and thus run the risk of not accommodating leaves or disabilities. This can occur when employees complain of a physical or mental illness, and managers do not recognize the need to inquire if the employee needs an accommodation or document an interactive process as required.

Employee Separations

Summary of Findings

- There are no specific termination documents.
- No consistent written "payroll action" form, documenting final pay, etc., for records.



Legal Postings

Summary of Findings

Legal postings in the corporate office are dated from 2022. Although, information had been shared that the company was enrolled with a labor law poster subscription which was to send out new posters annually.

- Postings at other locations was not verified.

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APPENDIX K

2024 RETAIL MARKETING PLAN

2024 Retail Digital Marketing Plan

Summary:

Over the past 35+ years CRT has secured an impressive market share in its respective Texas markets. As we continue to dominate the flooring “builder” market, there is still significant room to grow our retail footprint alongside both commercial and multi-family. By shifting previous traditional marketing efforts, consolidating and reimplementing digital marketing efforts, and building a TRUE lead generation and capturing process, we strive to see substantial improvements in our marketing ROI. Accountability and transparency are imperative in moving forward as we shift focus from branding to SQL (sales qualified leads) driven goals (KPIs).

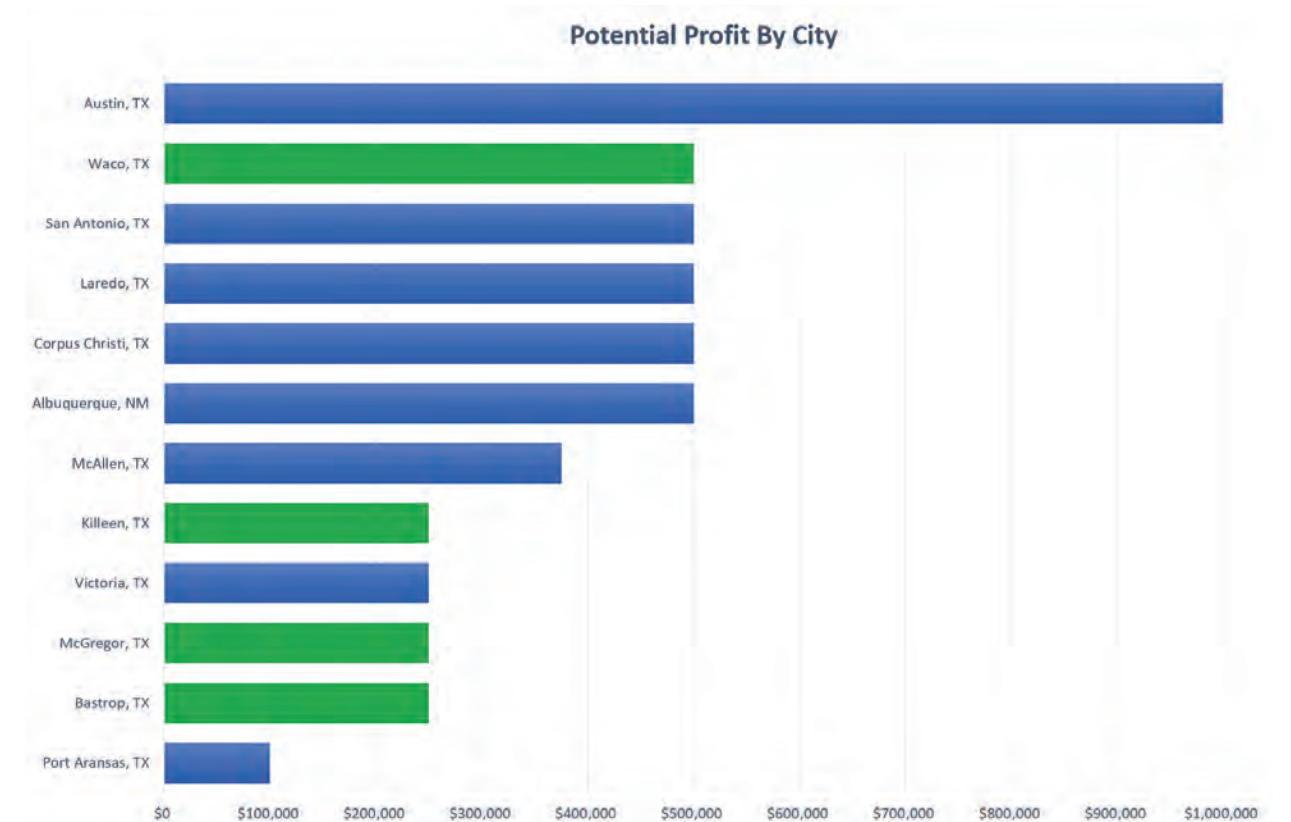
Digital Marketing Retail Objectives:

- Decrease cost per SQL call from ~\$735 per lead to <\$70.
- Increase SQL call monthly volume from <15 calls total to 75+ per location.
- Increase SEO rankings for primary keyword sets to page 1.
- Sequential growth in retail sales (not including COSTCO) by > 5% YoY.
- Increase margins from marketing expenses/sales ratio.

Retail Market Research:

Potential growth opportunities in existing markets and potential expansion opportunities.

City	New biz	Competition	Total score	Businesses coming in
Austin, TX	150	5	1950	Google, Apple, Tesla, Oracle, Dell
Albuquerque, NM	100	2	1200	Sandia National Laboratories, University of New Mexico, Presbyterian Healthcare Services, Walmart, Lowe's
Corpus Christi, TX	100	3	1200	Valero Energy, Port of Corpus Christi, Corpus Christi Caller-Times, Whataburger, Stripes
Laredo, TX	100	1	1100	United Supermarkets, Lowe's, Home Depot, HEB
San Antonio, TX	100	2	1200	USAA, Valero Energy, Frost Bank, HEB, University of Texas at San Antonio
Waco, TX	100	2	1200	USAA, Valero Energy, Frost Bank, HEB, University of Texas at San Antonio
McAllen, TX	75	1	975	HEB, Walmart, Lowe's, Home Depot, Stripes
Bastrop, TX	50	0	650	Bastrop State Park, Bastrop Chamber of Commerce, Bastrop High School, HEB, Walmart
McGregor, TX	50	0	650	Lowe's, Home Depot, HEB
Victoria, TX	50	0	650	Victoria Advocate, Victoria Chamber of Commerce, Victoria ISD, HEB
Killeen, TX	50	0	650	Killeen Independent School District, Killeen Chamber of Commerce, HEB, Walmart
Port Aransas, TX	25	0	300	Port Aransas Chamber of Commerce, Port Aransas ISD, Port Aransas City Council, HEB



Website

The current website was a great solution for initial growth as potential customers began using the internet as a viable option for search. As times have changed, so has the distribution of information online and the need to facilitate that drive is no longer an option for retail's growth. As lead generation has evolved, it's imperative to offer an optimized website designed for user experience (UX) and conversion:

1. User Experience (UX) and User Interface (UI) Overhaul:

Analysis: A modern, intuitive design is crucial for user retention and engagement.

- Changes:
 - Implement a responsive design to ensure the website looks and functions well on all devices.
 - Streamline navigation for ease of use.
 - Introduce interactive elements to engage users.

- Justification for Premium Pricing: A well-thought-out UX/UI design requires extensive research, user testing, and iterative design processes, ensuring the website is user-friendly and aligns with modern design principles.

2. High-Quality Visual Content:

Analysis: Visual content plays a pivotal role in capturing user attention.

- Changes:
 - Incorporate high-resolution images of flooring products and completed projects.
 - Introduce video content, such as tutorials or client testimonials.
- Justification for Premium Pricing: High-quality visuals, especially custom photography, and videography, require professional equipment, expertise, and post-production efforts.

3. Custom Graphics:

Analysis: Custom graphics can set a website apart from competitors.

- Changes:
 - Design custom icons and infographics tailored to the flooring industry.
- Justification for Premium Pricing: Custom graphics require specialized skills and tools, ensuring the website has a unique and memorable appearance.

4. Interactive Features:

Analysis: Interactive elements can enhance user engagement.

- Changes:
 - Implement a virtual flooring visualizer, allowing users to see how different flooring options look in various room settings.
 - Add chatbots or live chat features for real-time customer support.
- Justification for Premium Pricing: Developing interactive features requires advanced coding skills, testing, and optimization to ensure they function seamlessly.

5. SEO Optimization:

Analysis: A well-designed website should also be optimized for search engines.

- Changes:
 - Ensure the website structure is SEO-friendly.
 - Optimize images, content, and meta tags for targeted keywords.

- Justification for Premium Pricing: SEO optimization ensures the website ranks well on search engines, driving organic traffic and potential business.

6. Performance Optimization:

Analysis: Website speed and performance directly impact user experience and SEO.

- Changes:
 - Optimize code for faster loading times.
 - Implement a content delivery network (CDN) for quicker content delivery.
- Justification for Premium Pricing: Performance optimization ensures users don't leave due to slow loading times, leading to better user retention and SEO rankings.

7. Security Enhancements:

Analysis: A secure website is crucial for user trust and data protection.

- Changes:
 - Implement SSL certificates for encrypted data transfer.
 - Regularly update and patch the website's CMS and plugins.
- Justification for Premium Pricing: Ensuring a website's security requires regular monitoring, updates, and potential investments in security tools and services.

8. Integration with Marketing Tools:

Analysis: For businesses, a website should also serve as a marketing tool.

- Changes:
 - Integrate email marketing sign-up forms.
 - Incorporate analytics tools to track user behavior and conversions.
- Justification for Premium Pricing: Integrating and optimizing marketing tools can lead to better user insights, allowing for more targeted marketing efforts.

9. Regular Maintenance and Support:

Analysis: A website requires regular updates and maintenance.

- Changes:
 - Offer monthly maintenance packages for updates, backups, and troubleshooting.
- Justification for Premium Pricing: Regular maintenance ensures the website remains functional, secure, and up to date, requiring ongoing efforts and expertise.

Process

The design and development process is a meticulous balance of creativity, technical expertise, and strategic planning. Each phase requires specialized skills and tools, ensuring the final product is not only visually appealing but also robust, secure, efficient, and conversion-friendly:

1. Design

A. Discovery & Research:

- Understand the client's business, objectives, target audience, and competitors.
- Gather requirements and set clear goals for the project.

B. Wireframing:

- Create low-fidelity sketches of the website layout.
- Define the structure, user flow, and main navigation paths.

C. Design Mockups:

- Develop high-fidelity designs that represent the final look of the website.
- Choose color schemes, typography, and visual elements.

D. User Experience (UX) Design:

- Focus on creating an intuitive and user-friendly interface.
- Ensure the design aligns with user needs and behaviors.

E. User Interface (UI) Design:

- Design the visual elements, buttons, sliders, and other interactive components.
- Ensure consistency and branding throughout the design.

F. Feedback & Revisions:

- Present the design to the client or stakeholders.
- Incorporate feedback and make necessary revisions.

2. Development Process:

A. Setup & Planning:

- Choose the right development tools, frameworks, and platforms.
- Set up version control systems, like Git, and development environments.

B. Front-end Development:

- Convert design mockups into interactive web pages using HTML, CSS, and JavaScript.
- Ensure the website is responsive, adapting to various screen sizes and devices.

C. Back-end Development:

- Set up servers, databases, and APIs.
- Implement functionalities like user registration, content management, and data processing.

D. Integration:

- Integrate third-party tools, plugins, or APIs as required, such as payment gateways, analytics tools, or CRM systems.

E. Testing:

- Conduct thorough testing to identify bugs or issues.
 - Unit Testing: Test individual components for functionality.
 - Integration Testing: Ensure different components work together seamlessly.
 - User Acceptance Testing (UAT): Verify the solution meets user needs and requirements.
 - Performance Testing: Ensure the website loads quickly and can handle traffic.
 - Security Testing: Identify vulnerabilities and potential security threats.

F. Deployment:

- Move the website from a development environment to a live server.
- Set up domain names, SSL certificates, and hosting configurations.

G. Maintenance & Support:

- Regularly update the website to ensure it remains secure and functional.
- Provide ongoing support for any issues or updates required.

3. Intricacies of Development:

- Scalability: Ensuring the website can handle growth, whether it's increased traffic, additional content, or expanded functionalities.
- Optimization: Implementing best practices to ensure the website loads quickly, including image optimization, minifying code, and leveraging browser caching.
- Security: Implementing measures like secure coding practices, regular updates, and using security plugins or tools to protect against threats.

- Cross-browser & Cross-device Compatibility: Ensuring the website functions consistently across different browsers (like Chrome, Firefox, Safari) and devices (desktop, mobile, tablet).
- SEO Best Practices: Incorporating SEO-friendly coding practices to ensure the website is easily crawlable and indexable by search engines.
- Continuous Integration & Continuous Deployment (CI/CD): Automating the processes of integrating code changes and deploying them to the live environment.

SEO

It is no longer ideal to just “have” a website. As potential customers continue increasing their search online, it has become even more important to ensure your site appears as an option in the organic section (non-ad/sponsored) of the search results page (SERP). Search Engine Optimization (SEO) allows us to make on-going adjustments on and off site to the website to help promote your site when crawled by various search engines. Over time, this allows your site to appear as an option more frequently and with more credibility to potential customers:

1. Website Speed and Performance:

Action Plan:

- Utilize Google Page Speed Insights for performance insights.
- Optimize images and scripts to improve loading times.

2. Keyword Optimization:

Action Plan:

- Conduct keyword research tailored to the flooring industry in Central and South Texas.
- Integrate these keywords into website's content and meta tags.

3. Meta Tags Enhancement:

Action Plan:

- Refine title tags, meta descriptions, and header tags for keyword optimization.
- Ensure unique and descriptive meta tags for each page.

4. Content Optimization:

Action Plan:

- Develop dedicated landing pages for each product and service.
- Enhance content with keyword-optimized descriptions and images.

5. Mobile Optimization:

Action Plan:

- Ensure a seamless mobile experience.
- Test website performance across devices and browsers.

6. Backlink Building:

Action Plan:

- Engage in outreach campaigns for quality backlinks.
- Monitor the backlink profile for quality assurance.
-

7. User Experience (UX) Enhancement:

Action Plan:

- Streamline website navigation.
- Highlight call-to-action buttons and conduct user testing.

8. Local SEO & Google My Business:

Action Plan:

- Claim, verify, and optimize Google My Business listings for each location.
- Encourage satisfied customers to leave positive reviews on Google My Business.
- Respond to reviews, both positive and negative, to show engagement.
- Ensure consistent NAP (Name, Address, Phone) across all platforms.
- Optimize the "Posts" feature on Google My Business to showcase promotions, news, or events.
- Work on strategies to appear in the "Local Pack" (top 3 local businesses) on Google search results.

9. Social Media Integration:

Action Plan:

- Maintain a consistent posting schedule on social platforms.

10. Schema Markup:

Action Plan:

- Implement industry-specific schema markup.
- Monitor search results for rich snippet displays.

11. Blog Enhancement:

Action Plan:

- Optimize existing blog posts and develop new ones.
- Develop a content calendar focusing on industry trends.

12. Technical SEO:

Action Plan:

- Ensure clean URL structures and fix broken links.
- Update and submit an XML sitemap to search engines.

PPC

Pay per click advertising allows us to immediately promote your website in the most optimal positions on search results pages. We are essentially paying for each click, allowing us to be an option in the area of the SERP that elicits around 30% of the clicks. Individuals clicking in this section are less apt to being in the research phase and more likely to make a decision:

1. Audience Research & Segmentation:

- Work Involved: Detailed research to understand and segment the target audience based on demographics, online behaviors, interests, and more. This ensures that ads are tailored to resonate with the most relevant users.

- Cost Justification: Precise audience targeting reduces wasted ad spend on irrelevant users and increases the likelihood of conversions, making the investment in research worthwhile.

2. Ad Creatives & Messaging Development:

- Work Involved: Designing and crafting compelling ad creatives and messaging tailored to different audience segments. This might involve graphic designers, copywriters, and A/B testing.
- Cost Justification: High-quality, relevant ads lead to better click-through rates and conversions, ensuring that the ad spend yields maximum returns.

3. In-depth Keyword Research:

- Work Involved: Utilizing advanced tools and techniques to identify high-performing, relevant keywords specific to your business and industry.
- Cost Justification: Targeting the right keywords ensures higher ad relevance, better quality scores, and potentially lower costs per click, optimizing the ad budget.

4. Landing Page Design & Optimization:

- Work Involved: Designing and optimizing landing pages for conversions. This involves UX/UI designers, copywriters, and web developers to ensure a seamless user experience.
- Cost Justification: A well-optimized landing page increases the chances of converting a click into a lead or sale, maximizing the ROI on ad spend.

5. Budget Management & Bidding Strategy:

- Work Involved: Continuous monitoring and adjustment of budgets and bidding strategies based on campaign performance, audience segments, and keyword competitiveness.
- Cost Justification: Strategic budget allocation and bidding ensure that you're getting the best value for each click, optimizing the overall ad budget.

6. Ad Scheduling & Geo-Targeting:

- Work Involved: Setting up ads to appear during specific times and in targeted geographic locations based on audience behavior and business objectives.

- Cost Justification: This ensures that ads are displayed when and where they're most likely to be effective, reducing wasted impressions and optimizing ad spend.

7. Continuous Monitoring & Optimization:

- Work Involved: Regularly analyzing campaign data, identifying areas of improvement, and making necessary adjustments for continuous performance enhancement.
- Cost Justification: Regular optimization ensures that the campaign remains effective over time, adapting to changes and maximizing ROI.

8. Integration with Other Marketing Strategies:

- Work Involved: Ensuring that the PPC campaign is integrated with other digital marketing strategies, such as SEO, content marketing, and email marketing.
- Cost Justification: Integrated marketing efforts create a synergistic effect, enhancing the effectiveness of each individual strategy and providing better value for the overall marketing budget.

Social Media

Arguably the highest converting type of marketing is “word of mouth.” With social media marketing, you can control many important variables you can’t with traditional “word of mouth.” Being able to control both the messaging and the audience allows social media to be a compelling form of marketing, especially in the home improvement category. People want to feel comfortable trusting strangers to work in their home:

Phase I

- Secure all login credentials for all accounts across Facebook, Instagram, and Twitter
- Rebuild each profile page for all accounts.
- Create a Pinterest Account

Phase II

- Implement weekly posting calendar across all platforms that are QC’d a week in advance before approval to post (nothing is to be posted without approval) that will align with well-crafted promotional campaigns.
- Hire a social team to build out 15 video posts and 8 static posts monthly.
- Internal team to create remaining monthly posting and respond after post is approved (ideally a new hire, customer service hybrid role)

Reputation Management

Piggybacking off social media, reputation management is a continuation of “word of mouth” marketing. As information online becomes more accessible, people value the experiences of others and often consult third-party review sites before choosing a contractor. Having a positive reputation online has become a necessity for acquiring retail customers online:

Phase I (Setup)

- Secure all login credentials for all accounts across Google Biz Profile Pages, Yelp, BBB, etc.
- Rebuild each profile page and consolidate accounts.
- Implement software to alert when someone mentions CRT Flooring Solutions online to notify us of a post.

Phase II (Action)

- Craft templated responses to various posts in response to the most common review concerns
- Personalize each response so the commenter feels “heard” AND to show potential customers we care.
- Receive approval prior to posting for the first 3 months.

Phase III (Proactive prevention)

- Work with the sales team to follow up with EVERY customer to make sure they are completely satisfied both DURING and AFTER the job is complete.
- Have a customer service rep ALSO follow up after each job to ensure complete satisfaction.

Phase IV (Solicitation)

- Build out multiple ways to procure and incentivize positive reviews.
- Work with Sales Reps to offer incentives for reps earning the highest review/completed job ratio.
- Build out process to help make it easier for reps to secure reviews i.e., QR Code Cards
- Work with company employees to create contests to incentivize internal reviews (every Yelp Google review combo receives a Visa Gift Card). Can extend to family and friends. Cap at \$100 per employee. Anticipating \$2500-\$5000 cost but 100+ REAL reviews in return. Will create example review posts for employees.
 - CRT has been a staple in TX for the past 35 years. Their staff takes pride in what they do, and their flooring installation is top notch.
 - The employees at CRT love what they do and despite how big the company is, the owner Jim makes everyone feel like family. This environment allows people to feel valued which passes on to the customer. A lot of heart and pride go into each flooring job. Highly recommend.



APPENDIX L

FIVE YEAR STRATEGIC INITIATIVES (COMBINED) PROJECTED FINANCIAL RESULTS

Certain information set forth in this presentation contains “forward-looking information”, including “future-oriented financial information” and “financial outlook”. Except for statements of historical fact, the information contained herein constitutes forward-looking statements and includes, but is not limited to, the (i) projected financial performance of the company; (ii) the expected development of the company’s business, projects, and joint ventures; (iii) execution of the company’s vision and growth strategy, (iv) sources and availability of third-party financing for the company’s projects; (v) completion of the company’s projects that are currently underway, in development or otherwise under consideration; (vi) renewal of the company’s supplier and other material agreements; and (vii) future liquidity, working capital, and capital requirements.

These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Although forward-looking statements contained in this presentation are based upon what management of the company believes are reasonable assumptions (outlined within the Financial Projections Appendices, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

The following projections have been established from a “build it from the ground up” budget approach to all known and anticipated costs as well as projected revenue activity from the prioritization process outlined in the Growth Strategies.

The Barton Group Consolidated Summary Profit & Loss Five-Year Forecast

	2024	2025	2026	2027	2028
Revenue					
MultiFamily Joint Venture	3,550,000	19,410,000	44,380,000	75,510,000	95,200,000
Countertops	459,420	4,761,600	7,818,200	10,936,800	15,345,000
Shop @ Home	-	1,800,000	7,290,000	15,390,000	22,050,000
J&R Sales	55,851,181	58,643,740	62,162,364	66,513,730	71,834,828
Other - Corporate	2,135,487	2,212,939	2,306,791	2,418,907	2,551,608
Total Revenue	61,996,087	86,828,279	123,957,355	170,769,437	206,981,436
YOY Growth		40%	43%	38%	21%
Cost of Goods Sold					
Materials	28,950,233	41,596,155	60,818,967	84,990,761	102,649,738
Adjustments (Inventory)	34,052	35,159	36,478	38,028	39,834
Delivery Costs	22,607	32,094	46,344	64,278	77,722
Supplier Rebates	(811,451)	(1,134,916)	(1,671,075)	(2,354,572)	(2,826,039)
Bank Charges	655,881	927,766	1,386,879	1,986,464	2,448,668
Total Materials Cost	28,851,323	41,456,258	60,617,593	84,724,957	102,389,923
Contract Labor	10,546,171	14,558,731	20,787,873	28,670,092	34,461,928
Installer Deductions	-	-	-	-	-
Total Contract Labor	10,546,171	14,558,731	20,787,873	28,670,092	34,461,928
Total Cost of Goods Sold	39,397,494	56,014,989	81,405,466	113,395,049	136,851,851
Gross Margin	22,598,594	30,813,290	42,551,889	57,374,388	70,129,584
<i>GM % of Revenue</i>	36%	35%	34%	34%	34%
Selling Expenses					
Manpower, incl Taxes/Benefits	7,452,204	9,041,240	11,007,191	13,273,354	14,879,504
Advertising	792,578	1,552,647	2,013,850	2,092,935	1,884,062
Promotions	419	432	448	468	490
Other / Shop @ Home Beta Test	115,000	-	-	-	-
Samples	2,038	2,105	2,183	2,276	2,384
Total COGS + Selling Expenses	47,759,733	66,611,413	94,429,139	128,764,082	153,618,292
Contribution Margin	14,236,354	20,216,866	29,528,216	42,005,355	53,363,144
<i>CM % of Revenue</i>	23%	23%	24%	25%	26%
General & Administrative Expenses					
Auto & Truck Expense	473,889	765,977	1,087,936	1,409,502	1,607,310
Bad Debt	5,169	44,966	96,583	133,266	161,256
Bank Charges	34,520	48,830	72,994	104,551	128,877
Business Meetings	1,250	5,000	53,000	65,000	77,000
Corporate Administration Fee	1,795,818	2,509,138	3,579,511	4,926,251	5,937,876
Entertainment	24,418	164,696	164,696	264,473	343,385
Insurance	182,332	298,112	429,471	585,659	729,004
Manpower, incl Taxes/Benefits	4,596,091	5,736,808	6,900,193	7,579,394	8,006,403
Meals	38,870	44,843	47,300	50,013	53,008
Mobile Phones	39,700	70,758	96,780	112,732	114,882
Office Expense	280,902	426,392	647,984	906,438	1,089,954
Postage	2,252	6,035	6,074	6,120	6,173
Professional Fees	325,905	372,939	411,387	452,555	507,105
Rent	1,745,885	2,796,452	3,919,196	4,467,889	4,570,477
Repairs & Maintenance	25,967	55,122	81,848	102,017	122,821
Security	21,474	30,201	36,772	40,213	41,240
Travel	209,212	314,503	395,597	482,312	590,681
Utilities	175,531	314,818	473,558	565,451	617,648
Warehouse Expense	2,850,684	3,854,959	4,905,927	5,448,627	5,612,901
Other	16,129	121,378	209,272	200,304	69,702
Total G & A Expenses	12,845,999	17,901,231	23,616,080	27,902,765	30,387,706
<i>G & A % of Revenue</i>	21%	21%	19%	16%	15%
EBITDA	1,390,356	2,315,634	5,912,136	14,102,590	22,975,437
<i>EBITDA % of Revenue</i>	2%	3%	5%	8%	11%
Depreciation / Amortization	221,002	606,257	1,138,808	1,443,380	1,488,380
EBIT (Operating Margin)	1,169,353	1,709,378	4,773,327	12,659,210	21,487,057
<i>EBIT % of Revenue</i>	2%	2%	4%	7%	10%
Other Expenses					
Interest Paid	231,145	285,485	259,692	218,462	132,731
Taxes Paid	11,133	76,600	167,698	280,934	368,560
Total Other Expenses	242,278	362,085	427,389	499,396	501,291
Net Profit	927,075	1,347,293	4,345,938	12,159,814	20,985,766
<i>Net Profit % of Revenue</i>	1%	2%	4%	7%	10%

	2024 Total	December	November	October	September	August	July	June	May	April	March	February	January
Revenue	3,550,000	850,000	700,000	560,000	460,000	340,000	220,000	160,000	120,000	80,000	40,000	-	-
MultiFamily Joint Venture	459,420	153,140	153,140	153,140	153,140	153,140	153,140	153,140	153,140	153,140	153,140	153,140	153,140
Countertops	-	-	-	-	-	-	-	-	-	-	-	-	-
Shop @ Home	55,851,181	4,933,521	4,933,521	4,933,521	4,933,521	4,933,521	4,933,521	4,933,521	4,933,521	4,933,521	4,933,521	4,933,521	4,933,521
J&R Sales	2,135,487	188,607	188,607	188,607	188,607	188,607	188,607	188,607	188,607	188,607	188,607	188,607	188,607
Other - Corporate	61,996,087	6,125,268	5,975,268	5,855,268	5,485,493	5,365,493	5,245,493	4,895,587	4,855,587	4,815,587	4,485,681	4,445,681	4,445,681
Total Revenue	28,950,233	2,914,091	2,827,541	2,750,301	2,580,182	2,510,942	2,441,702	2,273,538	2,250,458	2,227,378	2,070,754	2,047,674	2,047,674
Materials	34,052	2,838	2,838	2,838	2,838	2,838	2,838	2,838	2,838	2,838	2,838	2,838	2,838
Adjustments (Inventory)	22,607	2,152	2,092	2,044	2,092	1,886	1,838	1,814	1,798	1,782	1,766	1,750	1,750
Delivery Costs	(811,451)	(77,214)	(74,617)	(70,463)	(68,385)	(66,308)	(64,577)	(62,500)	(62,500)	(62,500)	(62,500)	(62,500)	(62,500)
Supplier Rebates	655,881	61,312	59,828	58,628	55,909	53,522	52,925	52,925	52,925	52,925	52,925	52,925	52,925
Total Materials Cost	28,851,323	2,803,179	2,817,674	2,749,269	2,478,400	2,501,996	2,433,991	2,265,845	2,243,043	2,220,242	2,063,896	2,041,095	2,041,095
Contract Labor	10,546,171	1,041,570	1,014,570	1,014,570	996,669	993,469	893,469	833,407	826,207	819,007	762,545	755,345	755,345
Installer Deductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Contract Labor	10,546,171	1,041,570	1,014,570	1,014,570	996,669	993,469	893,469	833,407	826,207	819,007	762,545	755,345	755,345
Total Cost of Goods Sold	39,397,494	3,844,749	3,832,243	3,763,839	3,472,069	3,417,064	3,327,059	3,099,252	3,069,250	3,039,248	2,826,441	2,796,440	2,796,440
Gross Margin	22,598,594	2,180,519	2,143,025	2,113,030	1,978,424	1,948,429	1,918,433	1,796,335	1,766,337	1,736,339	1,659,240	1,649,241	1,649,241
<i>GM % of Revenue</i>	36%	36%	36%	36%	36%	36%	37%	37%	37%	37%	37%	37%	37%
Selling Expenses	7,452,204	672,725	668,975	658,902	640,292	637,292	634,292	608,933	607,933	599,860	575,001	574,001	574,001
Manpower (Commissions)	792,578	77,715	77,715	77,715	77,715	77,715	77,715	77,715	77,715	77,715	77,715	77,715	77,715
Advertising	-	35	35	35	35	35	35	35	35	35	35	35	35
Promotions	115,000	-	-	-	-	-	-	-	-	-	-	-	-
Other / Shop @ Home Beta Test	2,038	-	-	-	-	-	-	-	-	-	-	-	-
Samples	47,759,733	170	170	170	170	170	170	170	170	170	170	170	170
Total COGS + Selling Expenses	47,759,733	4,014,637	3,987,149	3,947,104	3,818,184	3,814,184	3,810,184	3,684,184	3,659,184	3,634,184	3,459,362	3,428,360	3,428,360
Contribution Margin	14,236,354	1,429,875	1,373,631	1,363,708	1,247,713	1,220,717	1,216,222	1,094,483	1,110,485	1,118,559	1,026,319	1,017,321	1,017,321
<i>CM % of Revenue</i>	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%
General & Administrative Expenses	12,845,999	1,456,355	1,456,355	1,456,355	1,456,355	1,456,355	1,456,355	1,456,355	1,456,355	1,456,355	1,456,355	1,456,355	1,456,355
Auto & Truck Expense	473,889	44,856	44,856	44,856	44,856	44,856	44,856	44,856	44,856	44,856	44,856	44,856	44,856
Bad Debt	5,169	1,135	1,135	1,135	1,135	1,135	1,135	1,135	1,135	1,135	1,135	1,135	1,135
Bank Charges	34,520	3,148	3,066	3,066	2,943	2,880	2,817	2,786	2,765	2,744	2,723	2,702	2,702
Business Meetings	1,250	417	417	417	417	417	417	417	417	417	417	417	417
Corporate Administration Fee	1,795,818	173,600	173,600	173,600	173,600	173,600	173,600	173,600	173,600	173,600	173,600	173,600	173,600
Entertainment	24,418	3,470	3,470	3,470	3,470	3,470	3,470	3,470	3,470	3,470	3,470	3,470	3,470
Insurance	182,332	17,966	17,966	17,966	17,966	17,966	17,966	17,966	17,966	17,966	17,966	17,966	17,966
Office Manpower, incl Taxes/Benefits	4,596,091	414,869	414,869	414,869	414,869	414,869	414,869	414,869	414,869	414,869	414,869	414,869	414,869
Meals	38,870	3,552	3,552	3,552	3,552								

Barton Group Consolidated Profit & Loss Forecast: 2025 - 2028												
	Q1 2025	Q2 2025	Q3 2025	Q4 2025	2025 TOTAL	Q1 2026	Q2 2026	Q3 2026	Q4 2026	2026 TOTAL	2027 TOTAL	2028 TOTAL
Revenue	3,270,000	4,140,000	5,260,000	6,740,000	19,410,000	8,260,000	9,970,000	11,960,000	14,190,000	44,380,000	75,510,000	95,200,000
MultiFamily Joint Venture	952,320	1,142,784	1,428,480	1,238,016	4,761,600	1,563,640	1,876,368	2,345,460	2,032,732	7,818,200	10,936,800	15,345,000
Stone Fabrication	-	360,000	540,000	900,000	1,800,000	1,170,000	1,620,000	1,980,000	2,520,000	7,290,000	15,390,000	22,050,000
Shop @ Home	13,488,060	14,367,716	15,247,372	15,540,591	58,643,740	14,297,344	15,229,779	16,162,215	16,473,027	62,162,364	66,513,730	71,834,828
J&R Sales (CRT)	509,091	542,199	575,307	586,343	2,112,939	530,584	565,194	599,705	611,208	2,306,691	2,418,907	2,551,608
Other - Corporate	18,219,471	20,552,699	23,051,159	25,004,950	86,828,279	25,821,668	29,261,341	33,047,379	35,826,967	123,957,355	170,769,437	206,981,436
Total Revenue	18,219,471	20,552,699	23,051,159	25,004,950	86,828,279	25,821,668	29,261,341	33,047,379	35,826,967	123,957,355	170,769,437	206,981,436
YOY Growth		40%				43%				38%		21%
Cost of Goods Sold	8,629,720	9,789,106	11,050,922	12,126,406	41,596,155	12,535,737	14,287,625	16,225,871	17,769,734	60,818,967	84,990,761	102,649,738
Materials	8,790	8,790	8,790	8,790	35,159	9,119	9,119	9,119	9,119	36,478	38,028	39,834
Adjustments (Inventory)	7,113	7,683	8,318	8,980	32,094	10,031	11,023	12,153	13,138	46,344	64,278	77,722
Delivery Costs	(250,197)	(270,168)	(292,010)	(322,540)	(1,134,916)	(959,794)	(995,533)	(434,890)	(480,858)	(1,671,075)	(2,354,572)	(2,826,039)
Supplier Rebates	201,006	221,815	240,928	264,016	927,766	296,033	328,980	363,702	398,164	1,386,879	1,986,464	2,448,668
Credit Card Fees	8,596,431	9,757,226	11,016,949	12,085,652	41,456,258	12,491,426	14,241,214	16,175,955	17,709,298	60,617,593	84,724,957	102,389,923
Total Materials Cost	3,041,962	3,438,686	3,859,378	4,218,705	14,558,731	4,311,475	4,895,916	5,533,222	6,047,261	20,787,873	28,670,092	34,461,928
Contract Labor	3,041,962	3,438,686	3,859,378	4,218,705	14,558,731	4,311,475	4,895,916	5,533,222	6,047,261	20,787,873	28,670,092	34,461,928
Installer Deductions	3,041,962	3,438,686	3,859,378	4,218,705	14,558,731	4,311,475	4,895,916	5,533,222	6,047,261	20,787,873	28,670,092	34,461,928
Total Contract Labor	11,638,394	13,195,912	14,876,327	16,304,357	56,014,989	16,802,601	19,137,130	21,709,177	23,756,559	81,405,466	113,395,049	136,851,851
Total Cost of Goods Sold	6,581,078	7,356,787	8,174,832	8,700,593	30,813,290	9,019,066	10,124,211	11,338,203	12,070,408	42,551,889	57,374,388	70,129,584
Gross Margin	36%	36%	36%	35%	35%	35%	35%	35%	34%	34%	34%	34%
GM % of Revenue		23%	23%	23%	23%	24%	24%	24%	24%	24%	25%	26%
Selling Expenses	2,023,736	2,191,341	2,355,812	2,470,351	9,041,240	2,472,575	2,670,064	2,868,226	2,996,326	11,007,191	13,273,354	14,879,504
Selling Manpower (Commissions)	344,412	379,412	396,912	431,912	1,552,647	472,213	497,213	509,713	534,713	2,013,850	2,092,935	1,884,062
Advertising	108	108	108	108	432	112	112	112	112	448	468	490
Promotions	526	526	526	526	2,105	546	546	546	546	2,183	2,276	2,384
Samples	14,007,176	15,767,299	17,629,685	19,207,254	66,611,413	19,748,046	22,305,064	25,087,773	27,288,255	94,429,139	128,764,082	153,618,292
Total COGS + Selling Expenses	4,212,296	4,785,400	5,421,474	5,797,696	20,216,866	6,073,621	6,956,277	7,959,606	8,538,712	29,528,216	42,005,355	53,363,144
GM % of Revenue		23%	23%	23%	23%	24%	24%	24%	24%	24%	25%	26%
General & Administrative Expenses	165,657	183,543	203,888	212,890	765,977	237,622	261,495	290,990	297,829	1,087,936	1,409,502	1,607,310
Auto & Truck Expense	5,578	10,390	13,814	15,186	44,966	18,904	22,590	27,044	28,046	96,583	133,266	161,256
Bad Debt	10,579	11,670	12,680	13,896	48,830	15,581	17,315	19,142	20,956	72,594	104,551	128,877
Bank Charges	524,567	593,131	666,652	724,788	2,509,138	742,628	843,733	955,229	1,037,921	3,579,511	4,946,251	5,937,876
Corporate Administration Fee	15,482	19,053	23,250	26,215	84,000	31,795	37,957	45,306	49,639	164,696	264,473	343,385
Entertainment	65,681	71,731	79,391	81,310	298,112	92,451	102,749	115,886	118,386	429,471	585,659	729,004
Insurance	1,364,389	1,420,239	1,448,165	1,504,015	5,736,808	1,655,235	1,711,086	1,739,011	1,794,861	6,900,193	7,579,394	8,006,403
Office Manpower, incl Taxes/Benefits	11,211	11,211	11,211	11,211	44,843	11,825	11,825	11,825	11,825	47,300	50,013	53,008
Mobile Phones	15,315	17,065	18,315	20,065	70,758	21,820	24,820	26,570	28,320	97,800	112,732	114,882
Office Expense	92,079	101,641	111,060	121,613	426,392	136,997	154,135	170,430	186,423	647,984	906,438	1,089,954
Postage	1,509	1,509	1,509	1,509	6,035	1,518	1,518	1,518	1,518	6,074	6,120	6,173
Professional Fees	91,211	92,830	95,258	93,639	372,939	99,524	102,182	106,170	103,511	411,387	452,555	507,105
Rent	596,963	677,063	721,163	801,263	2,796,452	877,649	937,749	1,001,849	1,081,949	3,919,196	4,467,889	4,570,477
Repairs & Maintenance	6,983	7,428	7,673	8,118	30,201	8,626	9,071	9,316	9,761	36,772	40,213	41,240
Security	73,086	77,323	83,588	80,507	314,503	89,686	96,782	107,143	101,986	395,597	482,312	590,681
Travel	64,406	75,656	83,658	91,098	314,818	102,563	115,035	124,871	131,089	473,558	565,451	617,648
Utilities	871,126	946,837	982,564	1,054,432	3,854,959	1,134,085	1,207,462	1,246,439	1,317,940	4,905,927	5,448,627	5,612,901
Warehouse Expense	19,966	27,775	35,123	38,514	121,378	46,405	51,208	57,364	54,296	209,272	200,304	69,702
Other	4,008,564	4,360,658	4,615,316	4,916,693	17,901,123	5,355,684	5,760,566	6,090,077	6,409,752	23,616,080	27,902,765	30,387,706
Total G & A Expenses	18,137	168,496	527,023	568,245	1,245,627	375,267	816,487	1,464,650	1,689,534	4,345,938	12,159,814	20,985,766
G & A % of Revenue		1%	2%	2%	1%	1%	3%	4%	5%	4%	7%	10%
EBITDA	2,03,732	424,742	806,158	881,003	2,315,634	717,937	1,195,711	1,869,629	2,128,959	5,912,136	14,102,590	22,975,437
EBITDA % of Revenue		1%	2%	3%	3%	3%	4%	4%	6%	5%	8%	11%
Depreciation / Amortization	135,838	167,252	186,709	218,124	707,923	243,559	274,974	294,431	325,845	1,138,808	1,443,380	1,488,380
EBIT (Operating Margin)	67,894	257,490	619,448	662,879	1,607,711	474,378	920,737	1,575,098	1,803,114	4,773,327	12,659,210	21,487,057
EBIT % of Revenue		0%	1%	3%	2%	2%	3%	5%	5%	4%	7%	10%
Other Expenses	73,130	72,080	70,847	69,428	285,485	67,821	66,021	64,025	61,826	259,692	218,462	132,731
Interest Paid	12,901	16,914	21,579	25,206	76,600	31,289	38,229	46,424	51,755	167,698	280,934	368,560
Taxes Paid	86,031	88,994	92,425	94,634	362,085	99,110	104,250	110,449	113,581	427,389	499,396	501,291
Total Other Expenses	18,137	168,496	527,023	568,245	1,245,627	375,267	816,487	1,464,650	1,689,534	4,345,938	12,159,814	20,985,766
Net Profit												
Net Profit % of Revenue												

The Barton Group Consolidated Cash Flow Forecast													
	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Total 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Total 2025	Total 2026	Total 2027	Total 2028
Cash flows from Operating Activities													
Revenue	\$ 13,377,043	\$ 14,566,761	\$ 16,096,479	\$ 17,955,805	\$ 61,996,087	\$ 18,219,471	\$ 20,552,699	\$ 23,051,159	\$ 25,004,950	\$ 86,828,279	\$ 123,957,355	\$ 170,769,437	\$ 206,981,436
Expenses	13,343,252	14,420,430	15,698,802	17,606,528	\$ 61,069,012	18,237,608	20,384,203	22,524,136	24,436,705	85,582,652	119,611,417	158,609,623	185,995,670
Net Income (Loss)	33,791	146,331	397,676	349,277	927,075	(18,137)	168,496	527,023	568,245	1,245,627	4,345,938	12,159,814	20,985,766
Adjustments													
Depreciation and Amortization	34,385	40,363	43,352	52,069	170,169	85,005	116,419	135,876	167,290	504,590	1,138,809	1,443,380	1,488,380
(Increase)/Decrease in Accounts Receivable	(146,968)	(99,148)	(419,059)	(39,149)	(744,996)	(685,711)	(585,650)	(469,362)	(474,721)	(2,215,444)	(

	January	February	March	April	May	June	July	August	September	October	November	December	2024 Budget
J&R Sales (CRT)													
Revenue	\$ 4,281,924	\$ 4,281,924	\$ 4,281,924	\$ 4,281,924	\$ 4,561,180	\$ 4,561,180	\$ 4,840,436	\$ 4,840,436	\$ 4,840,436	\$ 4,840,436	\$ 4,933,521	\$ 4,933,521	\$ 55,851,181
Sales Allowances	34,843	34,843	34,843	37,115	37,115	37,115	39,388	39,388	39,388	40,145	40,145	40,145	454,475
Discounts (Fuel, Etc.)	456	456	456	456	456	456	456	456	456	456	456	456	5,476
Other	128,458	128,458	128,458	138,635	138,635	138,635	145,213	145,213	145,213	148,006	148,006	148,006	1,678,535
Total Revenue	4,445,681	4,445,681	4,445,681	4,735,587	4,735,587	4,735,587	5,025,493	5,025,493	5,025,493	5,122,128	5,122,128	5,122,128	57,986,667
Cost of Goods Sold	2,047,674	2,047,674	2,047,674	2,181,218	2,181,218	2,181,218	2,314,762	2,314,762	2,314,762	2,359,276	2,359,276	2,359,276	26,706,788
Materials	2,838	2,838	2,838	2,838	2,838	2,838	2,838	2,838	2,838	2,838	2,838	2,838	34,052
Adjustments (Inventory)	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	21,000
Delivery Costs	(62,500)	(62,500)	(62,500)	(62,500)	(62,500)	(62,500)	(62,500)	(62,500)	(62,500)	(62,500)	(62,500)	(62,500)	(750,000)
Supplier Rebates	51,333	51,333	51,333	51,333	51,333	51,333	51,333	51,333	51,333	51,333	51,333	51,333	615,937
Credit Card Fees	2,041,095	2,041,095	2,041,095	2,174,639	2,174,639	2,174,639	2,308,182	2,308,182	2,308,182	2,352,697	2,352,697	2,352,697	26,629,838
Total Materials Cost	755,345	755,345	755,345	804,607	804,607	804,607	853,869	853,869	853,869	870,289	870,289	870,289	9,852,329
Contract Labor	755,345	755,345	755,345	804,607	804,607	804,607	853,869	853,869	853,869	870,289	870,289	870,289	9,852,329
Installer Deductions	755,345	755,345	755,345	804,607	804,607	804,607	853,869	853,869	853,869	870,289	870,289	870,289	9,852,329
Total Contract Labor	2,796,440	2,796,440	2,796,440	2,979,245	2,979,245	2,979,245	3,162,051	3,162,051	3,162,051	3,222,986	3,222,986	3,222,986	36,482,167
Total Cost of Goods Sold	1,649,241	1,649,241	1,649,241	1,756,342	1,756,342	1,756,342	1,863,442	1,863,442	1,863,442	1,899,142	1,899,142	1,899,142	21,504,501
Gross Margin	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%
CM % of Revenue	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
Selling Expenses	559,855	559,855	559,855	583,715	583,715	583,715	607,574	607,574	607,574	615,527	615,527	615,527	7,100,014
Advertising	37,715	37,715	37,715	37,715	37,715	37,715	37,715	37,715	37,715	37,715	37,715	37,715	452,578
Promotions	35	35	35	35	35	35	35	35	35	35	35	35	419
Other / Shop @ Home Beta Test	170	170	170	170	170	170	170	170	170	170	170	170	115,000
Total COGS + Selling Expenses	3,394,215	3,394,215	3,394,215	3,600,880	3,600,880	3,600,880	3,807,545	3,807,545	3,807,545	3,898,933	3,898,933	3,898,933	44,152,216
Contribution Margin	1,051,466	1,051,466	1,051,466	1,134,707	1,134,707	1,134,707	1,195,948	1,195,948	1,195,948	1,223,195	1,223,195	1,223,195	13,834,451
CM % of Revenue	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
General & Administrative Expenses	36,166	36,166	36,166	36,166	36,166	36,166	36,166	36,166	36,166	36,166	36,166	36,166	433,996
Auto & Truck Expense	169	169	169	169	169	169	169	169	169	169	169	169	2,033
Bank Charges	2,702	2,702	2,702	2,702	2,702	2,702	2,702	2,702	2,702	2,702	2,702	2,702	32,421
Business Meetings	128,458	128,458	128,458	136,835	136,835	136,835	145,213	145,213	145,213	148,006	148,006	148,006	1,675,535
Corporate Administration Fee	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	14,563
Entertainment	13,852	13,852	13,852	13,852	13,852	13,852	13,852	13,852	13,852	13,852	13,852	13,852	166,225
Insurance	299,920	299,920	299,920	299,920	299,920	299,920	299,920	299,920	299,920	299,920	299,920	299,920	3,599,043
Office Manpower, incl. Taxes/Benefits	3,135	3,135	3,135	3,135	3,135	3,135	3,135	3,135	3,135	3,135	3,135	3,135	37,620
Meals	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	26,400
Mobile Phones	20,115	20,115	20,115	20,115	20,115	20,115	20,115	20,115	20,115	20,115	20,115	20,115	241,375
Office Expense	84	84	84	84	84	84	84	84	84	84	84	84	1,002
Postage	26,833	26,833	26,833	26,833	26,833	26,833	26,833	26,833	26,833	26,833	26,833	26,833	322,000
Professional Fees	1,373	1,373	1,373	1,373	1,373	1,373	1,373	1,373	1,373	1,373	1,373	1,373	14,758,885
Rent	122,990	122,990	122,990	122,990	122,990	122,990	122,990	122,990	122,990	122,990	122,990	122,990	1,475,885
Repairs & Maintenance	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	16,824
Security	16,523	16,523	16,523	16,523	16,523	16,523	16,523	16,523	16,523	16,523	16,523	16,523	198,277
Utilities	8,295	8,295	8,295	8,295	8,295	8,295	8,295	8,295	8,295	8,295	8,295	8,295	99,537
Travel	91,362	91,362	91,362	91,362	91,362	91,362	91,362	91,362	91,362	91,362	91,362	91,362	1,086,349
Warehouse Manpower, incl. Taxes/Benefits	112,432	112,432	112,432	112,432	112,432	112,432	112,432	112,432	112,432	112,432	112,432	112,432	1,349,190
Warehouse Expense	20	20	20	20	20	20	20	20	20	20	20	20	240
Other	889,246	889,246	889,246	897,623	897,623	897,623	906,001	906,001	906,001	908,794	908,794	908,794	10,804,990
Total G & A Expenses	1,622,221	1,622,221	1,622,221	1,622,221	1,622,221	1,622,221	1,622,221	1,622,221	1,622,221	1,622,221	1,622,221	1,622,221	19,191,919
G & A % of Revenue	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
EBITDA % of Revenue	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
EBITDA	162,221	162,221	162,221	237,084	237,084	237,084	311,947	289,417	289,417	289,417	314,402	314,402	3,029,461
Depreciation / Amortization	8,472	8,472	8,472	8,472	8,472	8,472	8,472	8,472	8,472	8,472	8,472	8,472	101,667
EBIT (Operating Margin)	153,748	153,748	153,748	228,612	228,612	228,612	303,475	280,975	280,975	305,930	305,930	328,430	2,927,794
EBIT % of Revenue	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Other Expenses	2,715	2,674	2,633	2,591	2,550	2,508	2,467	2,425	2,383	2,341	2,299	2,257	27,842
Interest Paid	2,715	2,674	2,633	2,591	2,550	2,508	2,467	2,425	2,383	2,341	2,299	2,257	27,842
Taxes Paid	2,715	2,674	2,633	2,591	2,550	2,508	2,467	2,425	2,383	2,341	2,299	2,257	27,842
Total Other Expenses	5,430	5,348	5,266	5,182	5,100	5,018	4,934	4,850	4,766	4,682	4,598	4,514	52,526
Net Profit	151,034	151,034	151,034	226,062	226,062	226,062	301,008	278,550	278,550	303,558	303,558	326,173	2,899,952
Net Profit % of Revenue	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	2025 Total	Q1 2026	Q2 2026	Q3 2026	Q4 2026	2026 Total	2027 Total	2028 Total
J&R Sales (CRT)												
Revenue	\$ 13,488,060	\$ 14,367,716	\$ 15,247,372	\$ 15,540,591	\$ 58,643,740	\$ 14,297,344	\$ 15,229,779	\$ 16,166,215	\$ 16,473,027	\$ 62,162,364	\$ 66,513,730	\$ 71,834,828
Sales Allowances	109,756	116,914	124,072	126,468	477,199	116,341	123,629	131,516	134,045	505,831	541,239	584,538
Discounts (Fuel, Etc.)	1,688	1,688	1,688	1,688	6,752	1,688	1,688	1,688	1,688	6,752	6,752	7,043
Other	397,686	423,848	449,797	483,417	1,754,748	413,810	439,742	468,668	475,650	1,794,065	1,871,197	1,960,026
Total Revenue	13,997,191	14,909,919	15,822,679	16,126,934	60,856,934	14,828,028	15,794,973	16,676,971	17,084,255	64,469,135	68,392,657	74,386,436
YOY Growth	5%	5%	5%	5%	5%	6%	6%	6%	6%	6%	7%	8%
Cost of Goods Sold	6,342,670	6,756,322	7,169,974	7,307,858	27,576,824							

