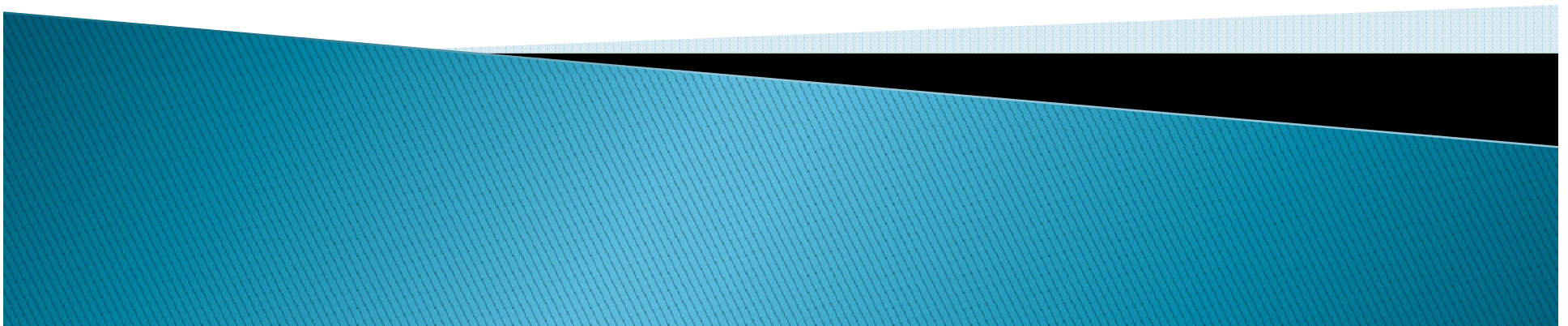


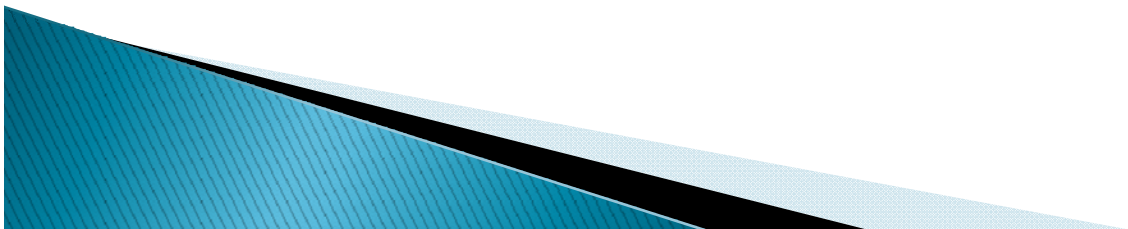
Remodeling Futures Conference

Effects of Financing in the Home
Improvement Industry



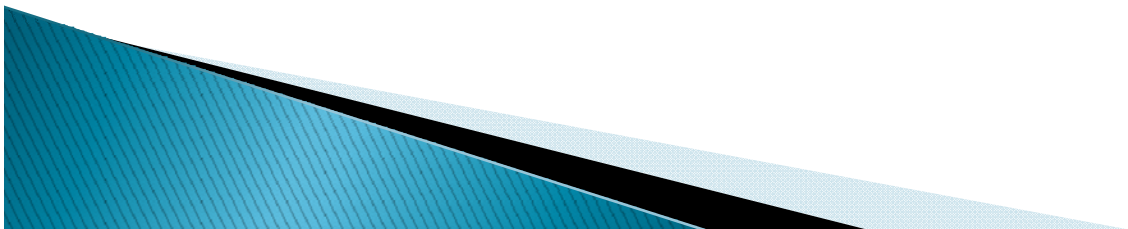
CREDIT CONDITIONS IN TEXAS

- ▶ Historically low credit scores in Texas.
- ▶ In the 80's, my business was as a Licensee for Sears for Siding and Windows.
- ▶ Sears financed most of customers, 30% through our Secured Lending.
- ▶ Homestead Law prevented homeowners from borrowing against home except for home improvements, divorce or tax lien.
- ▶ Over half free and clear, Reject Rate very low.
- ▶ Passage of Home Equity Law in 1997 substantially reduced this number over next five years.
- ▶ Lost Secured Financing Programs in March 2008, unsecured August 2008.



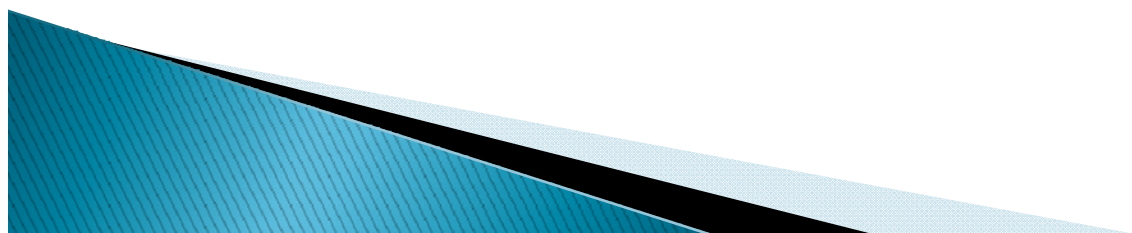
Statewide Original Business Model

- ▶ Strategic Alliances with Sam's Club and Home Depot for Sunrooms and Patio Cover sales
- ▶ In 2007 Statewide net sales were \$27 Million, 8% EBITDA
- ▶ Product mix was 47% Sunrooms, 53% windows, siding and patio covers
- ▶ Average Net Sunroom contract \$18,000, reject contract \$22,000, reject rate 19% of contracts, 27% of \$volume
- ▶ Balance of sales average contract, both net and reject, was \$10,500, reject rate 12%

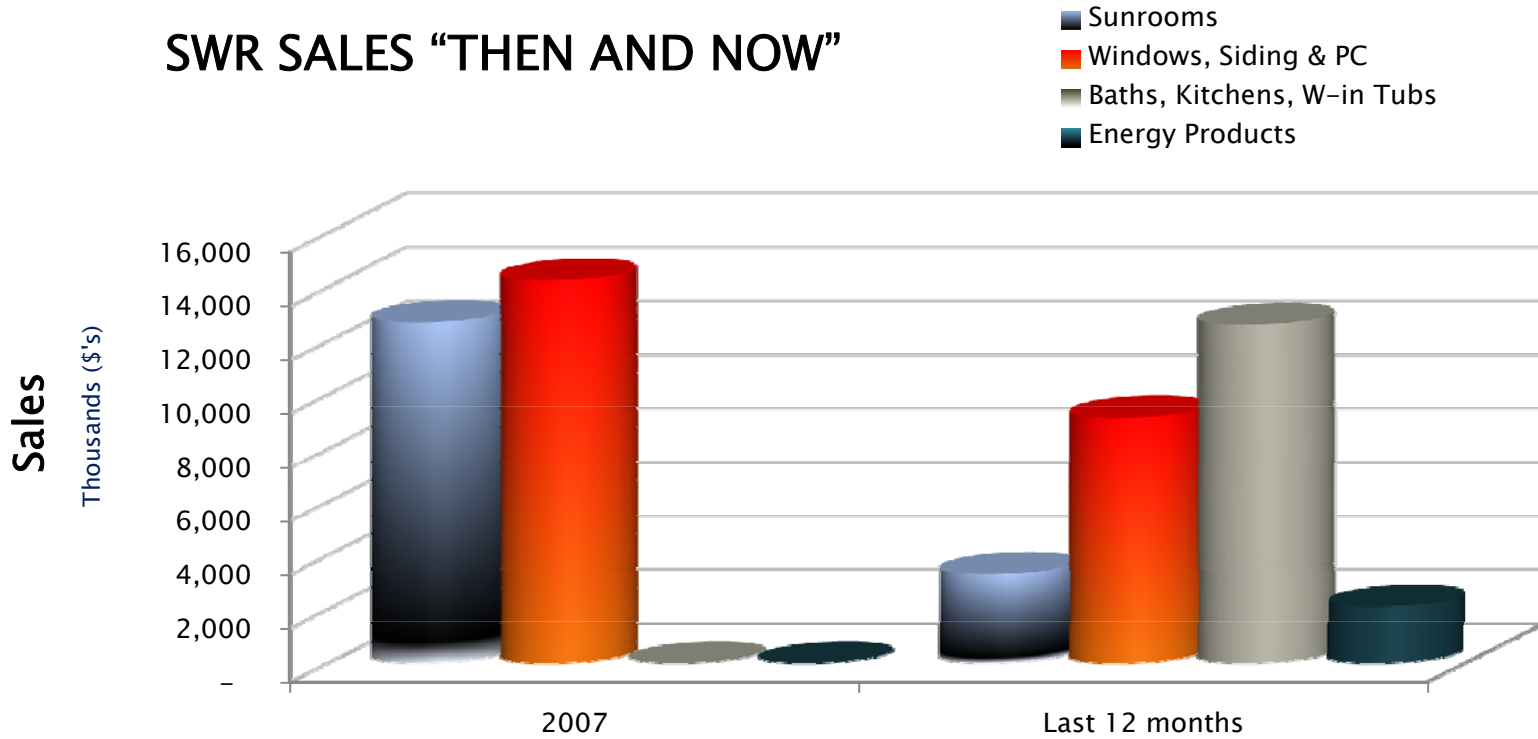


Statewide Today

- ▶ Baths, Kitchens added to Strategic Alliances in 2009
- ▶ Latest 12 month period had \$27 million in sales, 3% EBITDA
- ▶ Product mix 12% Sunrooms, 34% windows, siding and patio covers, 8% Energy Products and 46% baths, kitchens and walk in tubs
- ▶ Sunroom average net contract \$14,200, reject contract \$22,000, reject rate 30% of contracts, 47% of dollar volume
- ▶ Balance of sales average net contract \$10,000, reject \$13,000, reject rate 18% of contracts, 26% of dollar volume



SWR SALES “THEN AND NOW”



2007 Last 12 months

Sunrooms

12,716,009

3,307,375

Windows, Siding & PC

14,242,777

9,152,961

Baths, Kitchens, W-in Tubs

-

12,621,449

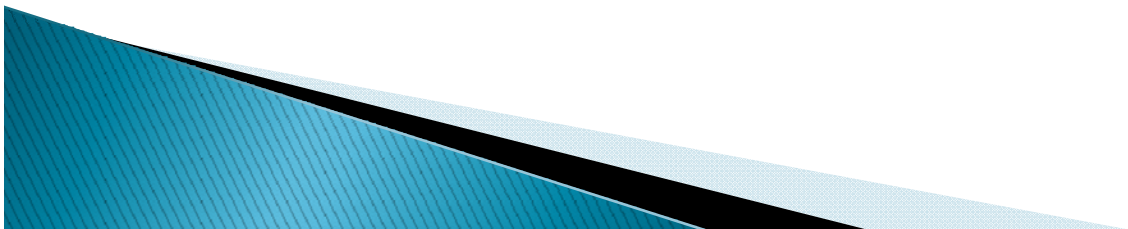
Energy Products

-

2,098,066

RECAP

- ▶ Homeowners now tend to only buy what they can pay cash for
- ▶ Have seen a dramatic shift in cash business, from approximately 30% in 2007 to 50% today.
- ▶ In most current period 68% of window contracts paid cash
- ▶ Jobs over \$20,000 difficult to get financed, Low Credit Scores, Low Equity, Reduced Home Values
- ▶ Average job amount continues to decrease, selling partials and lower priced average sale products, processing of more jobs for same volume.



ECONOMIC IMPLICATIONS

- ▶ Have shifted business from high priced patio products to more need products, lower average sales price
- ▶ Increased overhead by needing more production staff for job oversight.
- ▶ Lengthened job installation period has hurt cash flow—ex. Baths VS windows & sunrooms
- ▶ Competitive Market Place has seen shift to lower priced window product
- ▶ Lower gross margin on Kitchens and Baths than Windows and Sunrooms, higher production costs have squeezed margins

