LIMESTONE
STRATEGIC PARTNERS

Buy-side · QoE Lite

Quality of Earnings.

Hoosier Supply Co.

Buy-side review of FY2023 to FY2025 and the twelve months to June 30, 2026
HVAC and plumbing distribution, Indianapolis

Prepared for	Reliance	Date	Status
The buyer	The buyer named in the engagement letter	August 19, 2026	Sample

Confidential. Prepared for the parties named above on the basis set out on page 8. Not an audit, a review or an attestation. Hoosier Supply Co. is fictional; the figures are illustrative.

1 Risk and deal structure

Seven findings bear on the structure of the deal, and the earnings hold

Each finding below carries its severity, its size and the protection it points to: what the purchase agreement should carry and what should happen before close.

The two findings with a sized back exposure are both tax items; the others turn on structure and on who holds the relationships once the owner leaves.

Severity	Finding	Size	Protection it points to
High	Customer concentration, the top account at 23 percent of revenue on open purchase orders	Nearly a quarter of revenue; margin share still unknown	A holdback or retention earn-out tied to the account through the first year; a transition plan with the owner introducing the buyer before close
High	Sales and use tax nexus in three neighboring states, no registrations	$60,000 to $90,000, plus penalties	Voluntary disclosure agreements filed before close; a special indemnity or an escrow sized to the exposure
Medium	Two contractors who work as employees	$20,000 to $40,000	Reclassify before close; an escrow for the back exposure
Medium	The warehouse lease with the owner's entity, above market, real estate not conveying	$90,000 a year above market; three years of term	Re-strike the lease at market before close, with term and renewals in writing; the market rent is already in the adjusted figure
Medium	The top vendor's distribution agreement needs consent on a change of control	41 percent of purchases and the larger rebate	The vendor's written consent before signing, with the owner making the introduction
Medium	Owner dependency, one owner-operator with no second tier	Qualitative	A transition services agreement with a defined handover of the vendor book; the top-account introduction before close
Low	The seasonal working-capital trough	Timing only	The trailing-twelve peg with a defined true-up; day-one cash sized to carry December and January

Note: Structure implications only; the report carries no price opinion.

2 Executive summary

Adjusted EBITDA is $1.25 million after tested add-backs, and receipts agree to the bank

On the procedures in this report, Adjusted EBITDA of about $1.25 million is a reasonable read of ongoing earning power, subject to the concentration, tax and related-party items named in it. This is a professional view; it carries no assurance and no guarantee.

Adjusted EBITDA, TTM ($000)

833.5 → **1,247.1**

reported against tested

Cash proof

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FY2024, FY2025, TTM tie to the bank within 1%

Top customer

23%

of revenue, on open purchase orders

Figure	Finding, and what it means		Section
(139.0)	Three claimed add-backs fail the gates and stay in earnings; a rebrand recurs, a personal estimate has no ledger tie and a marketing program runs every year. For the deal: Underwrite $1.25 million; the seller's figure counts all three.	Holds	4
+413.6	The four add-backs in the trailing twelve months clear all three gates, each with a document behind it. For the deal: The bridge from the filed return holds.	Holds	4
1,297.1	The peg, computed on the trailing twelve months and not yet tested. For the deal: Have it tested before it is negotiated.	Watch	7
23%	The top account buys on open purchase orders, with no contract to assign at close. For the deal: A holdback or earn-out tied to the account.	Risk	6
60–90	Likely sales and use tax nexus in three states, with no registrations. For the deal: Voluntary disclosures before close and an escrow sized to the exposure.	Risk	1
77.0	The price file was reset only in July 2026; the margin gap of about $77,000 a year is not yet in the trailing twelve. For the deal: Upside once the schedule shows two quarters; outside the tested figure.	Watch	6
One	One owner holds the vendor relationships and the largest account. For the deal: A transition services agreement with a defined handover.	Watch	1

Tested and tied

Receipts agree to the bank within one percent in FY2024, FY2025 and the trailing twelve months; the filed returns agree to the IRS transcripts and to the books; payroll agrees to the Form 941 filings.

$ in thousands unless noted. Exhibit numbers refer to the Exhibit Book that accompanies this report. **Source:** LIMESTONE QoE Model v1.

3 The business and the basis

A single-site distributor with the owner at the center of every vendor relationship

Hoosier Supply Co., founded in 1998, distributes HVAC and plumbing product to contractors from one Indianapolis warehouse with 16 people. It is an S corporation on internally prepared, unaudited accrual books, and about 89 percent of revenue repeats. The owner holds the vendor relationships.

The basis

We reviewed FY2023 to FY2025 and the trailing twelve months to June 30, 2026, from the filed returns, the general ledger, monthly statements, bank statements from January 2024 forward and the payroll register; the scope section lists every document.

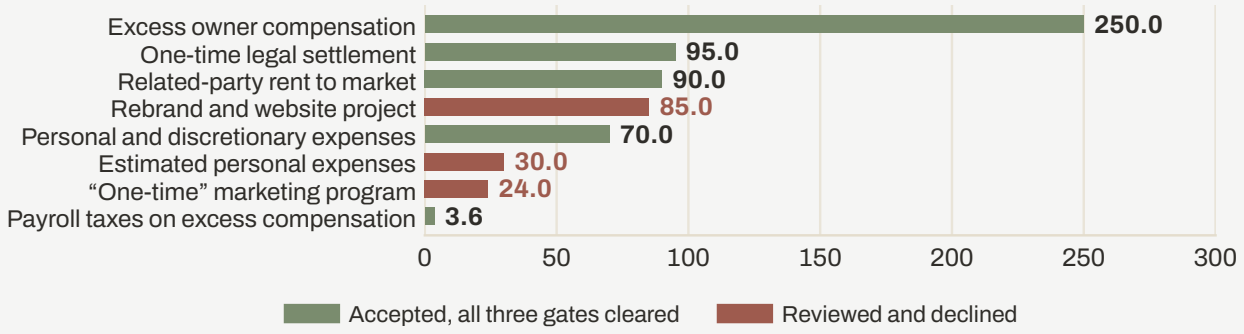
4 Earnings

Five of eight add-backs cleared the three gates; the three that failed stay in earnings

Exhibit 1.4

The three declined items total $139,000 and stay in earnings

$ in thousands unless noted



The read

Owner compensation to market is the largest adjustment and the best documented, with a W-2 and a regional survey behind it. The personal-expense line is the one a buyer’s lender will ask about, and the itemization answers it.

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claimed add-backs cleared all three gates

Source: LIMESTONE QoE Model v1; Exhibit Book 1.4.

The waterfall runs from ordinary business income on the FY2025 return, $416,500, through the Schedule M-1 items and reported EBITDA of $696,500 to Adjusted EBITDA of $1.11 million for the year (Exhibit 1.1). Gross receipts per return tie the books exactly in every filed year.

Owner compensation to market ($250,000), its payroll tax, itemized personal spending ($70,000) and related-party rent to market ($90,000) cleared every gate. A rebrand that recurs, a personal figure with no ledger tie and a marketing program that runs every year failed, $139,000 together, and Exhibit 1.4 shows each with the gate it failed. The FY2024 legal settlement of $95,000 cleared as well and sits outside the trailing twelve months; the seller's schedule of $1.39 million takes the three declined items as claimed. Seller's discretionary earnings, the owner-operator figure, is $1.53 million (Exhibit 1.6).

Reported to Adjusted EBITDA by period · $ in thousands

Four periods	FY2023	FY2024	FY2025	TTM
Revenue	9,600.0	10,200.0	10,708.0	10,977.0
Gross margin	26.0%	25.3%	25.3%	25.3%
Reported EBITDA	613.0	595.0	696.5	833.5
Tested add-backs, net	393.3	508.6	413.6	413.6
Adjusted EBITDA	**1,006.3**	**1,103.6**	**1,110.1**	**1,247.1**
Adjusted EBITDA margin	10.5%	10.8%	10.4%	11.4%

5 Proof of cash and the payroll tie

Receipts reconcile to the bank in FY2024, FY2025 and the trailing twelve months

Expected receipts were compared with bank and processor deposits for FY2024, FY2025 and the trailing twelve months, and every period sits inside the one percent tolerance (Exhibit 2.1). Statements run from January 2024 forward, so FY2023 sits outside the bank scope and is not represented as tested. Payroll ties to the ledger and to the Form 941 filings.

6 Revenue quality

The top account is 23 percent of revenue, and gross margin has not moved since FY2024

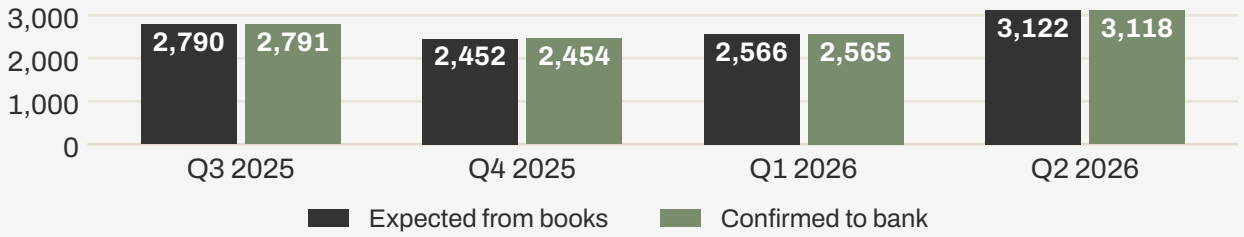
Revenue grew from $9.60 million in FY2023 to $10.98 million in the trailing twelve months (Exhibit 2.3). Gross margin fell from 26.0 to 25.3 percent in FY2024 when product cost rose and the price file was not reset until July 2026; the gap is about $77,000 a year, and none of the reset is in the trailing twelve months.

Source: LIMESTONE QoE Model v1; Exhibit Book 1.5.

Exhibit 2.1

Expected receipts and bank deposits agree in every quarter of the trailing twelve months

$ in thousands unless noted



The read

Each quarter of the trailing twelve months agrees to the bank within two tenths of a percent, so the revenue under the bridge reached the bank.

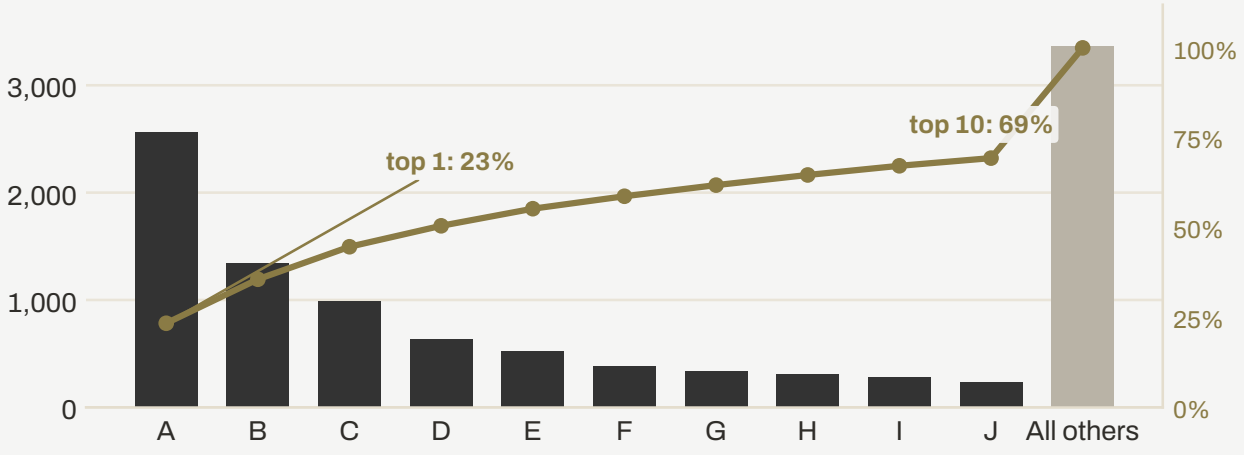
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quarters agree to the bank within one percent

Exhibit 3.1

The top ten accounts buy 69 percent of revenue, and the tail is fragmented

$ in thousands unless noted



The read

One account is nearly a quarter of revenue and buys on open purchase orders, so there is nothing to assign at close. The protection sits in the structure, and the buyer should meet that customer with the owner before close.

23%

of revenue from one account, on open purchase orders

One account bought $2.57 million, 23 percent of the total, on open purchase orders; the top ten bought 69 percent (Exhibit 3.1). Across 212 active accounts the tail is fragmented.

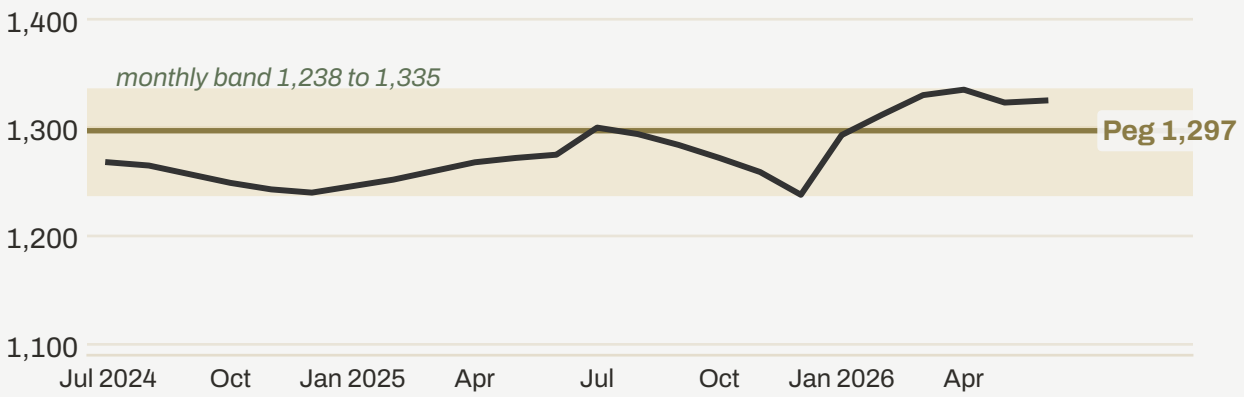
7 Working capital

The peg is $1.30 million, computed on the trailing twelve months and not yet tested

Exhibit 5.1

Monthly working capital stayed inside a narrow band around the peg of $1.30 million

$ in thousands unless noted



The read

Working capital held in a narrow band all year and the four peg methods land within about $53,000 of each other, so the peg will not be where the argument is.

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peg methods within $53,000 of each other

Current assets excluding cash, less current liabilities excluding debt, on a cash-free debt-free basis. Monthly net working capital held between $1.24 million and $1.34 million through the year (Exhibit 5.1), and the four methods land within about $53,000 of each other (Exhibit 5.2). At this scope the peg is computed and has not been tested, and a peg that will be negotiated should be a tested one. Brief overdrafts in December and January mean day-one cash should carry those two months.

Source: LIMESTONE QoE Model v1; Exhibit Book 5.1.

8 Scope, basis and limitations

The procedures covered three years and the trailing twelve months, with one item open at release

LIMESTONE performed the procedures set out in the engagement letter, a consulting engagement under the AICPA's Statement on Standards for Consulting Services (CS Section 100), on Hoosier Supply Co. for FY2023 to FY2025 and the trailing twelve months ended June 30, 2026, for the buyer and its lender in evaluating the proposed acquisition. The procedures stop short of an audit, a review or an attestation under any professional standard, and LIMESTONE gives no assurance on the financial statements and no opinion of value.

Adjustments were tested above a threshold of $5,000 a year. Bank statements run from January 2024 forward; FY2023 was not tested to the bank. Management's representations are marked where they appear, and the appendix lists every question put to management with its answer and whether it was verified.

Open at release

Margin by customer for the top ten accounts, to put a profit share beside the revenue share
Management · due August 28, 2026

Before issue, 60 tie-out checks ran across the model, this report and the Exhibit Book, and every figure agreed. Hoosier Supply Co. is fictional. The figures are illustrative and tie to the sample model.

Documents relied on

Document, and what it supports	Tick
Federal income tax returns, accountant's copy, FY2023 to FY2025 Earnings waterfall, transcript tie, book-to-tax reconciliation	T
IRS Record of Account transcripts, FY2023 to FY2025 Agreement, filed returns to the returns provided	T
General ledger detail, all accounts, FY2023 to TTM Add-back scan, related-party identification, expense testing	A
Trial balances, fiscal year ends and the most recent month Model import and mapping	A
Monthly profit and loss statements, FY2023 to TTM Trend, margin, seasonality	A
Monthly balance sheets, 24 to 36 months Working capital, the peg, ratio analysis	A
Bank and merchant processor statements, January 2024 forward Proof of cash, receipts and disbursements	B
Payroll register and Form 941 filings, FY2023 to TTM Payroll tie, owner pay confirmed	V
Owner W-2 and benefits detail Owner pay to market	V
Warehouse lease with the owner's related entity Related-party rent normalization	V
Supplier settlement agreement and counsel invoice One-time legal settlement	V
Revenue by customer, FY2023 to TTM Concentration, cohort retention, revenue character	A

Tickmarks: A, agreed to trial balance or general ledger; B, agreed to bank statement; R, recalculated; V, vouched to source document; M, management representation, tested; BM, benchmarked to an external reference; T, agreed to the filed tax return.

Documents relied on (continued)

Document, and what it supports	Tick
Management representations, interview of August 4, 2026 Assertions marked [M] and tested	**M**
Regional pay survey and industrial rent comparables Owner pay and market rent benchmarks	**BM**
Vehicle leases and the marketing agency statement of work Commitments; the marketing program tested as an add-back	**V**

Issued by LIMESTONE Strategic Partners LLC, August 19, 2026

Engagement team

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Questions about this report: 317.820.2468 · limestonesp.com

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Appendix Management Q&A

Six questions put to management: two verified, two partly verified, one contradicted and one unverified

Question put to management	Answer, and what we found	Status
Is there a supply agreement or a pricing letter with the largest account? The owner, August 4, 2026	No. They have bought from us on purchase orders since 2011 and have never asked for one. Confirmed against the customer file.	Verified
When was the price file last reviewed against product cost? The owner, August 4, 2026	Before the pandemic. We have taken vendor increases as they came and passed on what we could. The file's own dates show FY2023, and product cost rose 0.7 points of revenue with no pass-through.	Partly verified
What share of revenue repeats year to year? The owner, August 4, 2026	About 90 percent. Most of these contractors have bought from us for a decade. Tested at 89 percent: 49 percent contracted and 40 percent repeat with nothing in writing.	Partly verified
Who else talks to the top three vendors? The owner, August 4, 2026	Nobody. I have handled vendor pricing and rebates since the start.	Unverified
Do you collect sales tax on shipments into the neighboring states? The owner, August 4, 2026	No. We are an Indiana company and our customers are contractors, so we treat those as exempt. Economic nexus thresholds appear met in three states, and no registrations were found.	Contradicted
What happened to the account that went to zero in 2025? The owner, August 4, 2026	A delivery failure on a large job in the spring. They moved to a competitor and we did not chase it. Revenue by customer shows $445,700 in FY2024 and nothing in FY2025.	Verified

Source: the recorded management interviews; every answer is management's statement until marked verified.