

Sell-side · QoE Lite

Quality of Earnings.

Hoosier Supply Co.

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

Prepared for

The owner

Reliance

The owner

Date

August 19, 2026

Status

Sample

Confidential. Prepared for the parties named above on the basis set out on page 9. Not an audit, a review or an attestation.
Hoosier Supply Co. is fictional; the figures are illustrative.

1 What a buyer will ask for

Seven things a buyer's firm will find, and what pre-empts each of them

Each row below is a finding a buyer's team will reach on its own, its size, and what the buyer will ask for in the purchase agreement unless it is fixed before market. The two findings with a sized back exposure are both tax items, and both close before market.

Severity	What a buyer will find	Size	How to pre-empt it
High	Customer concentration, the top account at 23 percent of revenue on open purchase orders	Nearly a quarter of revenue	A holdback or retention earn-out on the account; a signed supply agreement before market pre-empts most of it
High	Sales and use tax nexus in three neighboring states, no registrations	\$60,000 to \$90,000, plus penalties	An escrow or a price cut; voluntary disclosure in the three states before market closes it at the lower figure
Medium	Two contractors who work as employees	\$20,000 to \$40,000	Reclassify before market and settle the back payroll tax; left open, an escrow for it
Medium	The warehouse lease with your entity, above market, real estate not conveying	\$90,000 a year above market; three years of term	The lease re-struct at market with term and renewals in writing; do it before market
Medium	The top vendor's agreement needs consent on a change of control	41 percent of purchases and the larger rebate	Ask the vendor for its consent position before market, and put a second person in front of the account
Medium	Owner dependency, one owner-operator with no second tier	Qualitative	A transition services agreement with a long tail; a named second in command shortens it
Low	The seasonal working-capital trough	Timing only	A trailing-twelve peg with a defined true-up; avoid a winter close

2 Executive summary

Adjusted EBITDA is \$1.25 million and ties to the bank, so a buyer will price the one customer

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

3 of 3

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 add-backs on your schedule fail the gates; a rebrand recurs, a personal estimate has no ledger tie and a marketing program runs every year. Before market: Go to market on \$1.25 million with the three shown as declined.	Holds	4
+413.6	The four add-backs in the trailing twelve months clear all three gates, each with a document behind it. Before market: The bridge a buyer's firm recomputes from the return holds.	Holds	4
1,297.1	The peg, computed on the trailing twelve months and not yet tested. Before market: Have it tested before it is negotiated.	Watch	7
23%	The top account buys on open purchase orders, with no agreement for a buyer to assign. Before market: A supply agreement or a pricing letter, signed before market.	Risk	6
60–90	Likely sales and use tax nexus in three states, with no registrations. Before market: Voluntary disclosures close it at the lower figure.	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. Before market: Let the schedule show two quarters before market, so the recovery is in the figure a buyer underwrites.	Watch	6
One	You hold the vendor relationships and the largest account. Before market: A named second in command shortens the transition a buyer will ask for.	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.

3 The business and the basis

A single-site distributor whose vendor book runs through its owner

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. You hold the vendor relationships, and a buyer will see that on the first day.

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.

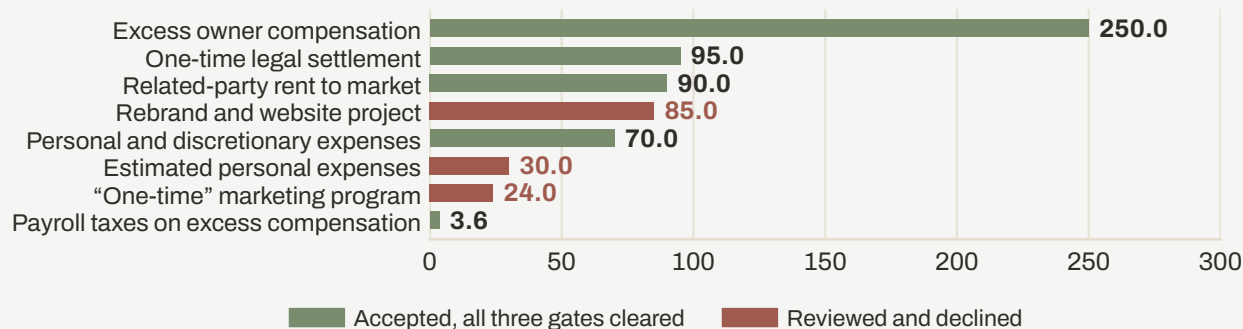
4 Earnings

Five of eight add-backs cleared the three gates, and the three that failed are the ones a buyer would have struck

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 your W-2 and a regional survey behind it. A buyer's firm will press on the personal-expense line, and the itemization is what answers them.

5 of 8

claimed add-backs cleared all three gates

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, so a lender's reconciliation closes on the first pass.

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. The rebrand that recurs, the personal figure with no ledger tie and the 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; your 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%

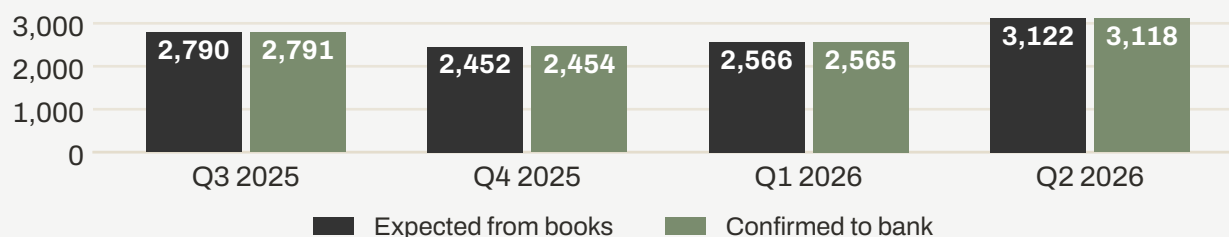
5 Proof of cash and the payroll tie

Receipts reconcile to the bank in every period tested

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; FY2023 sits outside the bank scope, and a lender-engaged review would add it. The payroll register ties to the ledger and to the Form 941 filings, and your W-2 agrees to the register.

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.

4 of 4

quarters agree to the bank within one percent

6 Revenue quality

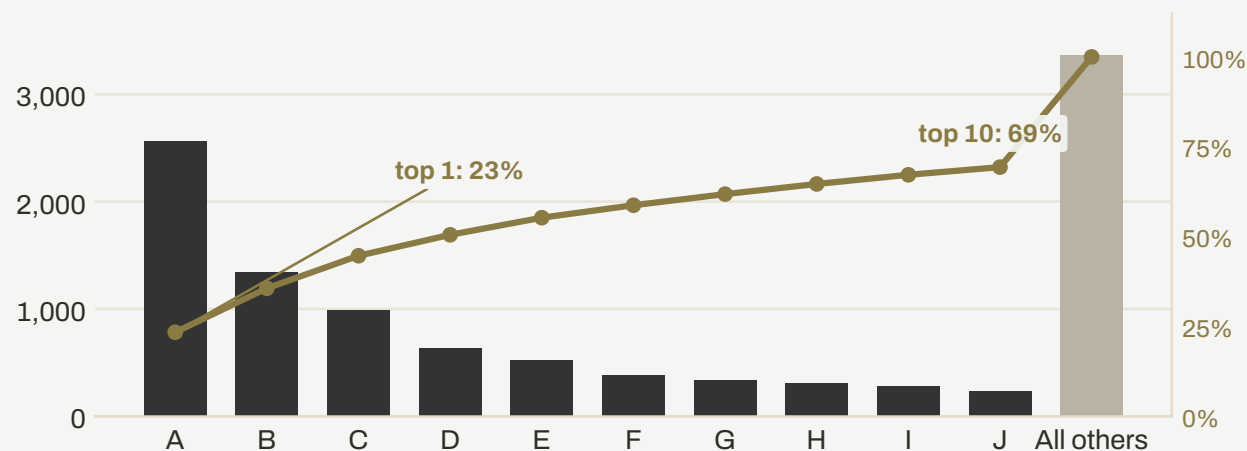
The top account is 23 percent of revenue, and the margin step of FY2024 is yours to reverse

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 the schedule you signed for July 2026; the gap is about \$77,000 a year, and letting the schedule show two quarters before market puts the recovery into the trailing twelve months a buyer will underwrite.

The largest account bought \$2.57 million, 23 percent of the total, on open purchase orders, and the top ten bought 69 percent (Exhibit 3.1). A signed agreement before market changes what a buyer can underwrite.

Exhibit 3.1**The top ten accounts buy 69 percent of revenue, and the tail is fragmented**

\$ in thousands unless noted

**The read**

The largest account buys order to order with no supply agreement, so today there is nothing for a buyer to assign at close. A signed agreement before market turns the relationship into a contract a buyer can underwrite.

23%

of revenue from one account, on open purchase orders

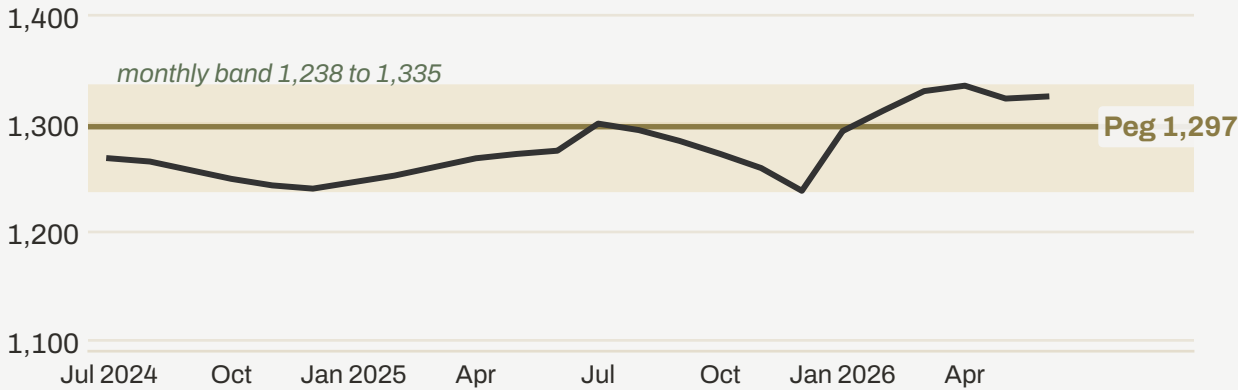
7 Working capital

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

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. Whatever you plan to take out before closing is measured against this number.

Exhibit 5.1
Monthly working capital stayed inside a narrow band around the peg of \$1.30 million

\$ in thousands unless noted



The read

The four peg methods land within about \$53,000 of each other, and the agreement's definition decides which one applies. The December overdrafts are three days and about \$18,000 at the deepest, each covered within the week; a buyer's advisor will ask.

4 of 4

peg methods within \$53,000 of each other

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 owner and the owner's advisors in preparing the business for sale. 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. A buyer's firm will perform its own procedures; this report is written so it reaches the same numbers.

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. Your representations are marked where they appear, and the appendix lists every question put to you 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 before a buyer asks

Owner · 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

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, 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; no registrations 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.