

BUSINESS REVIEW - 1st Quarter 2013

The first quarter of 2013 had a modest beginning with sales and external trends lacking any real fire.

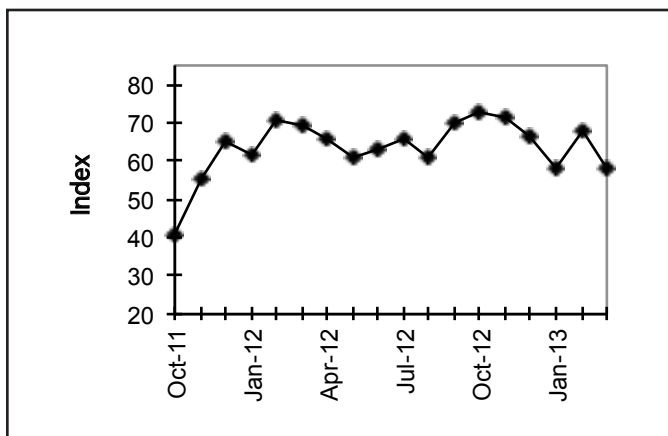
Consumer Confidence climbed above the 50 index in November 2011 and has not fallen below that level for the past 16 months. It has been bouncing between 70 and 55 with March of 2013 dipping back below 60. To put this in perspective, the highest recorded index was 144.7 in 1999 and the lowest was 25.3 in 2009.

Used Home Sales seem to have leveled off just below 5,000,000 units, to where it was eighteen months ago. Current reports indicate housing prices are trying to rebound but this has been a slow and gradual process. We cannot say that unit price increases tend to suppress total sales growth but sales appear to be stalled near 5,000,000 units.

New Housing Starts are setting solid growth trends. From a low 18 months ago of just above 600,000 units, new starts have continued a relatively steady climb to just over 1,000,000 units. Even so, new housing starts are still 1,000,000 units short of the peak, which was 8 to 10 years ago. One would think these new homes must have been selling to keep the new starts growing like they are.

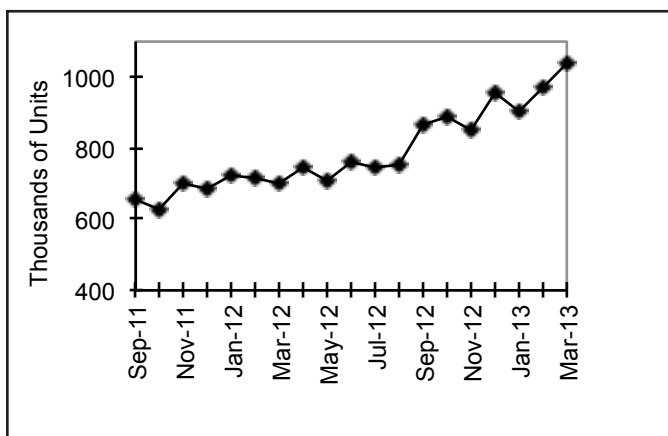
The Independent Decorating Products Retailer started 2013 with relatively modest gains over the first quarter last year. One region, the Midwest, was significantly behind the other three regions. All of their product categories were in significant negative figures. Nationally, wallcoverings had a modest decline from last year's sales.

Canadian Retailers did not fair as well as U.S. retailers. Over all they were behind last year's total store sales. Sundries had a fair gain in sales, which helped keep their total sales from being lower than expected.



Consumer Confidence

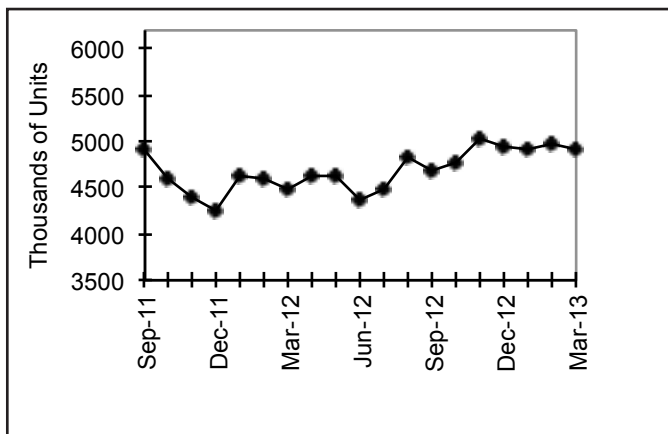
Source: The Conference Board



New Housing Starts

Seasonally Adjusted Annual Rate

Source: U.S. Department of Housing and Urban Development



Used Home Sales

Seasonally Adjusted Annual Rate

Source: National Association of Realtors

Sales Through Independent Paint and Decorating Retailers

Change from 1st Quarter 2012 to 1st Quarter 2013

	<u>U.S. National</u>	<u>Northeast⁽¹⁾</u>	<u>South⁽²⁾</u>	<u>Midwest⁽³⁾</u>	<u>West⁽⁴⁾</u>	<u>Canada⁽⁵⁾</u>
	%	%	%	%	%	%
Paint	3.0	2.8	5.8	-7.2	6.8	-6.8
Wallcovering	-0.9	2.4	3.4	-8.4	0.1	-3.2
Window Coverings	2.9	1.1	11.7	-2.4	-11.5	3.3
Sundries	3.2	7.9	5.9	-6.3	3.4	6.7
Total Store Sales*	3.1	4.8	5.5	-5.9	3.7	-4.8

* Total Store Sales includes all merchandise and/or services sold throughout the store.

Random dealer comments from 1st quarter 2013 Pulse Survey, conducted in May 2013:

“Good quarter - about time!” - Ontario, Canada

“January started strong. February and March fell off badly.” - Colorado

“Business is good; however, money is slow.” - Pennsylvania

U.S. & Canadian Regions Defined

Northeast U.S.⁽¹⁾

Connecticut
Maine
Massachusetts
New Hampshire
New Jersey
New York
Pennsylvania
Rhode Island
Vermont

South U.S.⁽²⁾

Alabama
Arkansas
Delaware
District of Columbia
Florida
Georgia
Kentucky
Louisiana
Maryland
Mississippi
North Carolina
Oklahoma
South Carolina
Tennessee
Texas
Virginia
West Virginia

Midwest U.S.⁽³⁾

Illinois
Indiana
Iowa
Kansas
Michigan
Minnesota
Missouri
Nebraska
North Dakota
Ohio
South Dakota
Wisconsin

West U.S.⁽⁴⁾

Alaska
Arizona
California
Colorado
Hawaii
Idaho
Montana
Nevada
New Mexico
Oregon
Utah
Washington
Wyoming

Canada⁽⁵⁾

All provinces are included in the Canadian region