

BUSINESS REVIEW—3rd Quarter 2011

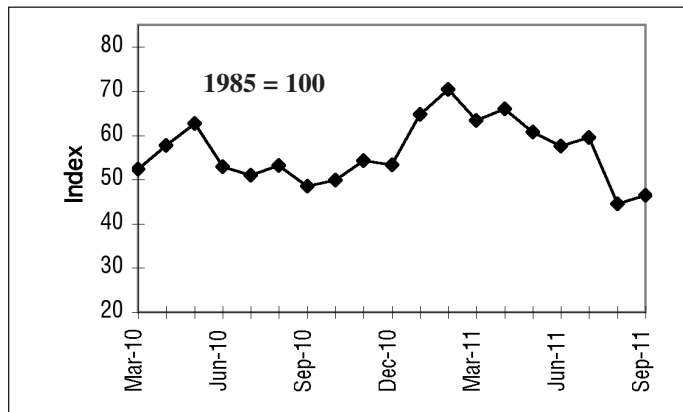
The third quarter of 2011 gave little indication that the health of the economy will improve by year's end.

The Consumer Confidence index has been the topic of much discussion and speculation, with some analysts questioning whether the published index numbers have a direct psychological impact on consumer spending. The downward trend that began in March has driven the index from a 2011 high of 70 to a low of 44. September's slight uptick to 46 reversed the nosedive. However, similar reversals appeared in April and July, only to continue the decline the following month.

New housing starts ended the quarter on an upward note. Since early 2010, housing starts have hovered around 600,000 units. The third quarter ended at a high of 658,000, virtually tying April 2010 which posted the highest numbers of the past two years.

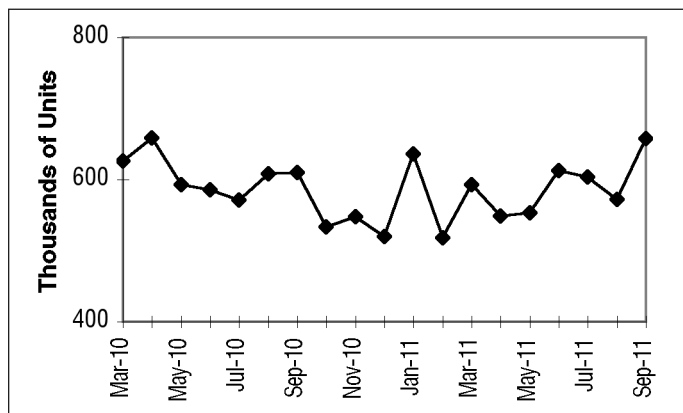
Used home sales continues the struggle to stay above 5,000,000 units this year, ending only slightly below that level at the end of the third quarter. This quarter did stop the downward trend that began in April. This market segment offers the independent paint and decorating retailer a double sales opportunity. First, the home seller may feel the need to spruce up the house to make it more attractive to potential buyers. Secondly, the eventual buyer often wants to personalize the home with his or her own color and decorating scheme. The more homes being turned in this category, the better opportunity for sales.

The average independent paint and decorating retailer has been in positive sales territory through three quarters, although this past quarter had several regions posting negative figures. Canadian retailers had an improved third quarter, with a nearly 5-percent increase in total store sales.



Consumer Confidence

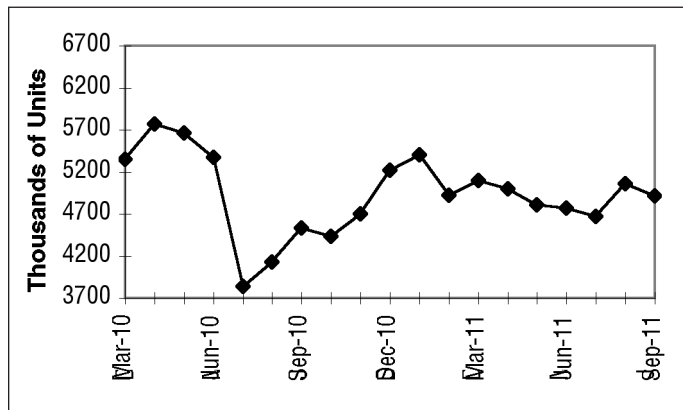
Source: The Conference Board



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 3rd Quarter 2010 to 3rd Quarter 2011

	<u>U.S. National</u>	<u>Northeast</u> ⁽¹⁾	<u>South</u> ⁽²⁾	<u>Midwest</u> ⁽³⁾	<u>West</u> ⁽⁴⁾	<u>Canada</u> ⁽⁵⁾
	%	%	%	%	%	%
Paint	0.4	5.3	- 1.2	0.8	- 3.0	6.4
Wallcovering	- 4.6	1.6	- 8.7	- 8.8	0.1	- 13.2
Window Coverings	- 4.3	- 12.4	- 9.3	- 6.6	17.7	2.1
Sundries	- 2.8	2.0	- 5.1	- 2.8	- 4.8	6.7
Total Store Sales*	0.4	2.9	- 1.2	- 0.7	- 1.7	4.6

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

Sales Through Independent Paint and Decorating Retailers

Change from year-to-date 2010 to year-to-date 2011

	<u>U.S. National</u>	<u>Northeast</u> ⁽¹⁾	<u>South</u> ⁽²⁾	<u>Midwest</u> ⁽³⁾	<u>West</u> ⁽⁴⁾	<u>Canada</u> ⁽⁵⁾
	%	%	%	%	%	%
Paint	1.1	5.1	3.7	0.3	- 4.0	0.6
Wallcovering	- 3.7	2.7	3.1	- 12.3	6.2	- 8.4
Window Coverings	4.3	- 10.9	- 0.1	11.4	8.2	- 7.1
Sundries	- 2.3	0.6	0.1	- 2.5	- 5.0	- 0.9
Total Store Sales*	1.8	4.5	3.2	1.1	- 3.6	- 1.9

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

U.S. & Canadian Regions Defined

<u>Northeast U.S.</u> ⁽¹⁾	<u>South U.S.</u> ⁽²⁾	<u>Midwest U.S.</u> ⁽³⁾	<u>West U.S.</u> ⁽⁴⁾	<u>Canada</u> ⁽⁵⁾
Connecticut	Alabama	Illinois	Alaska	All provinces are included in the Canadian region
Maine	Arkansas	Indiana	Arizona	
Massachusetts	Delaware	Iowa	California	
New Hampshire	District of Columbia	Kansas	Colorado	
New Jersey	Florida	Michigan	Hawaii	
New York	Georgia	Minnesota	Idaho	
Pennsylvania	Kentucky	Missouri	Montana	
Rhode Island	Louisiana	Nebraska	Nevada	
Vermont	Maryland	North Dakota	New Mexico	
	Mississippi	Ohio	Oregon	
	North Carolina	South Dakota	Utah	
	Oklahoma	Wisconsin	Washington	
	South Carolina		Wyoming	
	Tennessee			
	Texas			
	Virginia			
	West Virginia			