

Southwest Supply, Inc.

Financial Analysis
Of the Periods Ended
December 31, 2005, 2004, 2003

Purpose

This report contains an analysis of financial data for Southwest Supply, Inc. for the periods ending December 31, 2005, 2004, 2003. The purpose of the report is to help identify company strengths and areas where improvements may be needed.

The report may also include trend analyses of company and industry data. The trend analyses provide information that can't be seen when looking at just one period's results. These analyses can be helpful in identifying trends that may point to potential problems down the road. In addition, the industry trends will help you determine whether company trends are similar to industry trends.

The Industry Data

The analysis includes a comparison of key financial data and ratios for Southwest Supply, Inc. to similar data for companies with an NAICS code of 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM. The industry information used in the analysis was taken from the most recent Risk Management Association (RMA) Annual Statement Studies report. Comparing company information to industry norms is commonly referred to as 'benchmarking' and is an effective way of identifying a company's strengths and weaknesses. Obviously, attention should be paid to areas of weakness to determine if improvements can be made. RMA is a highly respected source of objective, unbiased information on issues of importance to credit risk professionals. The more than 190,000 statements used to produce their composites come directly from RMA member institutions and represent financials from their commercial customers and prospects.

Ratings

The financial data and ratios are grouped by type. For each type of financial data a comparison of the company's information for the period ending December 31, 2005 to the most recent data for similarly sized companies in the selected industry is provided. In addition, when possible a quartile ranking is provided. For example, if the value for a ratio is in the 'First' quartile, this means that the company's value for this ratio falls in the top 25% of reported values in the industry information. Such a ranking would indicate an area of possible strength relative to other companies of similar size. Conversely, a ranking in the 'Fourth' quartile would mean that the value for the ratio is in the bottom 25% of reported values and an area of weakness relative to companies of similar size.

In addition, for each section a composite rating is computed for the purpose of enabling the reader to quickly assess financial performance. This rating is based on the company's current financial information compared to the most recent industry financial data plus the trends in the company's financial information.

Disclaimers

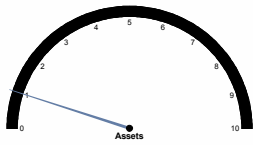
The data in the RMA Annual Statement Studies report was compiled from a sample not necessarily statistically representative or reliable and reliance thereon should be limited accordingly.

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Southwest Supply, Inc.- Analysis Summary

Assets



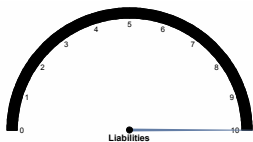
Rating: 1

For the most recent period analyzed, the company has a higher percentage of fixed assets than the selected peer group.

Both the company's cash and cash equivalents and total current assets as a percent of total assets are less than the peer group. This may indicate a weaker working capital position than the peer group. Particular attention should be paid to the liquidity ratios included later in this analysis.

For the periods included in the reports, the trend for both cash and total current assets as a percent of total asset is negative. Review liquidity ratios to determine if this indicates potential liquidity problems.

Liabilities



Rating: 10

For the most recent period analyzed, the company's net worth as a percent of total assets is higher than the peer group, which would generally indicate a stronger financial position than the peer group. The trend in the company's equity as a percent of assets is also positive.

In addition, the company's current liabilities as a percent of total assets is lower than the peer group. This may indicate a stronger working capital position than the peer group. Particular attention should be paid to the liquidity ratios included in this analysis. The company's total current liabilities as a percent of assets however appears to be increasing. In addition, the company's long-term debt as a percent of total assets is higher than the peer group. The financing ratios included in this analysis should be reviewed to help assess the company's ability to service the company debt.

Income Statement



Rating: 6

For the most recent period analyzed the company's profit before taxes as a percent of sales is higher than the peer group. The company's better than peer group performance is due to a higher gross profit percentage than the peer group. The trend in the company's profit before taxes as a percent of sales is also positive as the result of a favorable trend in operating expenses.

Liquidity Ratios



Rating: 5

The liquidity ratios measure a company's ability to meet its short term obligations. The higher the values of these ratios, the better the company's liquidity position.

The company's current ratio is greater than 2, which is generally considered favorable. In addition, the company's current ratio is better than the median of the companies in the peer group.

The quick ratio is a refinement of the current ratio and is a more conservative measure of liquidity since it measures the degree to which a company's current liabilities are covered by the most liquid assets, cash and trade receivables. The company's quick ratio is greater than 1. Assuming that any trade receivables are collected on a timely basis, the company's working capital positions would appear adequate. The company's quick ratio is better than the median of companies in the peer group.

For the periods included in the reports, the trend for both the current and quick ratios appears to be unfavorable. This could indicate potential liquidity problems.

Efficiency Ratios



Rating: 6

The efficiency ratios provide a measurement of how well the company is managing accounts receivable, inventory and accounts payable. These ratios indicate the average days that receivables, inventory and payables are outstanding or held. A shortcoming of these ratios is that they only reflect data as of the statement date and do not take into consideration any seasonal or unusual fluctuations at period end.

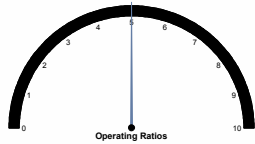
A lower days receivable ratio generally indicates higher quality receivables and/or better receivables management. Based on the data analyzed, the company's receivable collection time appears to be shorter than the peer group, which is favorable.

A lower days inventory ratio indicates higher quality inventory and/or better inventory management. Based on the data analyzed, the company's inventory is being held for a longer period than the peer group.

Based on the data analyzed, the company's payables are being paid more slowly than the peer group.

For the periods included in the reports, the trends in the Efficiency ratios are mixed. Attention should be given to the trend in the days receivables ratio which is unfavorable. The trends in the days inventory and days payables ratios are favorable.

Operating Ratios



Rating: 5

The operating ratios are designed to assist in the evaluation of management performance and provide a measurement of the company's utilization of resources.

Higher values for the Asset Turnover and Sales to Fixed Asset Ratios are generally better and indicate more efficient utilization of assets. Based on the data analyzed, the company's asset turnover ratio is worse than the peer group. Based on the data analyzed, the company's sales to fixed assets ratio is worse than the peer group.

Lower values for the sales to working capital ratio are generally considered better because a lower value would indicate a stronger working capital position. Based on the data analyzed, the company's sales to working capital ratio is better than the peer group.

For the periods included in the reports, the trends in the Operating ratios are mixed. Attention should be given to the trend in the sales to working capital ratio which is unfavorable. The trends in the asset turnover and sales to fixed assets ratios are favorable.

Financing Ratios



Rating: 10

The financing ratios measure the company's degree of leverage and its ability to service its debt.

The times interest earned ratio measures the company's ability to pay interest expense on existing debt. Higher values are more favorable. The company's times interest earned ratio is stronger than the median value for the peer group.

The cash flow to the current portion of long-term debt ratio measures the company's ability to service the repayment of debt. The higher the value of the ratio the better. The company's cash flow to current LTD debt ratio is stronger than the median value for the peer group.

The fixed assets to equity ratio measures the extent to which equity has been invested in fixed assets (plant and equipment). A lower ratio provides better cushion for creditors in case of liquidation. The existence of substantial leased fixed assets not shown on the balance sheet may distort the value of this ratio. The company's fixed assets to equity ratio is weaker than the median value for the peer group.

The debt to equity ratio expresses the relationship between capital contributed by creditors and that contributed by owners. The higher the ratio, the greater the company's vulnerability to business downturns. Based on the data analyzed, the company's debt to equity ratio is better than the peer group.

For the periods included in the reports, the trends in all the Financing ratios were favorable indicating the company's ability to continue servicing its debt is improving.

Profitability Ratios



Rating: 9

The profitability ratios are key indicators of the company's success. The higher values for these ratios, the better the company's performance at generating profits.

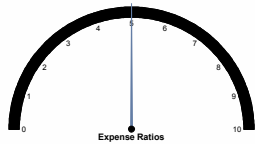
The Return on Equity ratio measures the rate of return on equity capital. Although higher values for this ratio are favorable, a high value could also be in an indication of under capitalization. Conversely, a low return could reflect a highly capitalized, conservatively operated business. The company's return on equity ratio is stronger than the median value for the peer group.

The Return on Assets ratio measures the company's rate of return on assets employed by the company. Heavily depreciated fixed assets or large amounts of intangible assets will distort the value of this ratio. The company's return on assets ratio is stronger than the median value for the peer group.

The Return on Sales ratio expresses the percent of sales that flow to net profits. The company's return on sales ratio is stronger than the median value for the peer group.

For the periods included in the reports, the trends in all the Profitability ratios were favorable indicating improving operating performance.

Expense Ratios



Rating: 5

The % Depreciation, Depletion and Amortization Expenses to Sales and % Officers, Directors' and Owners Compensation to Sales Ratios express these specific expenses as a percent of sales.

The company's % depreciation, depletion and amortization expenses to sales ratio is higher than the median value for the peer group.

The company's % Officers, Directors' and Owners Compensation to Sales Ratios is higher than the median value for the peer group.

For the periods included in the reports, although the trend for the depreciation, amortization and depletion expenses as a % of sales ratio is positive, the owners, officer and directors expense as a % of sales ratio trend appears to be unfavorable.

Southwest Supply, Inc.

Balance Sheet Analysis - Assets

NAICS 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM

Number of statements: 141 Average assets \$4,535,298

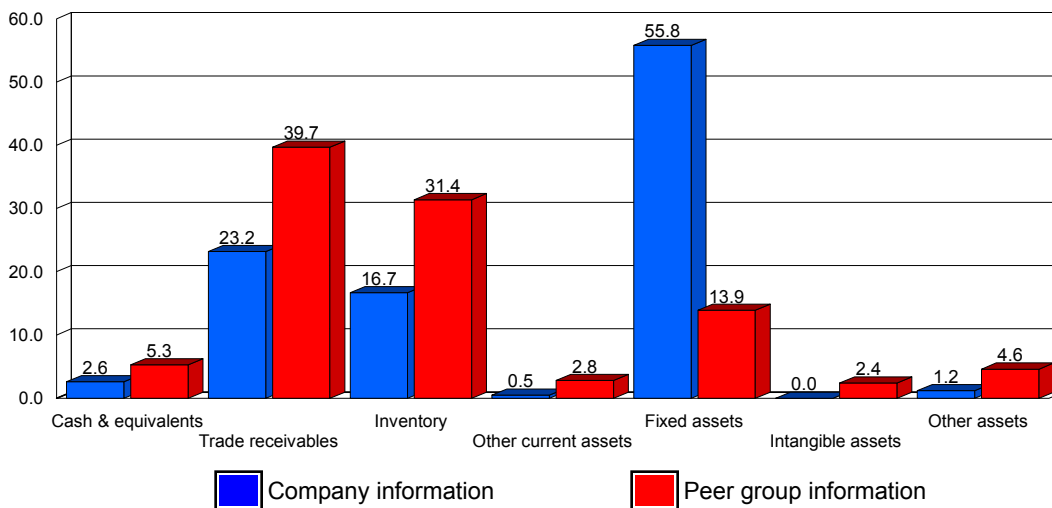
For the most recent period analyzed, the company has a higher percentage of fixed assets than the selected peer group.

Both the company's cash and cash equivalents and total current assets as a percent of total assets are less than the peer group. This may indicate a weaker working capital position than the peer group. Particular attention should be paid to the liquidity ratios included later in this analysis.

For the periods included in the reports, the trend for both cash and total current assets as a percent of total asset is negative. Review liquidity ratios to determine if this indicates potential liquidity problems.

Comparison of balances as of December 31, 2005

Percent of Total Assets



	as of 12/31/05	% of Assets	Peer Group %	% Difference
Cash & equivalents	26,865	2.6	5.3	(2.7)
Trade receivables	240,962	23.2	39.7	(16.5)
Inventory	173,750	16.7	31.4	(14.7)
Other current assets	5,650	0.5	2.8	(2.3)
Total current assets	447,227	43.0	79.2	(36.2)
Fixed assets	580,738	55.8	13.9	41.9
Intangible assets	0	0.0	2.4	(2.4)
Other assets	12,100	1.2	4.6	(3.4)
Total Assets	1,040,065	100.0	100.0	

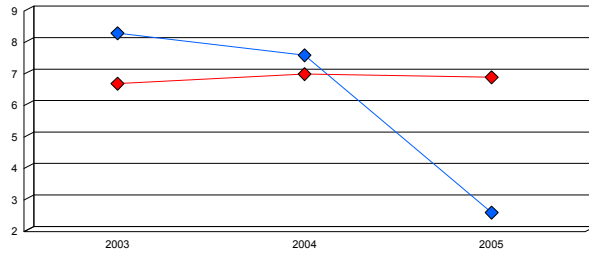
Southwest Supply, Inc. - Comparison of Company Trend to Industry Trends

NAICS 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM

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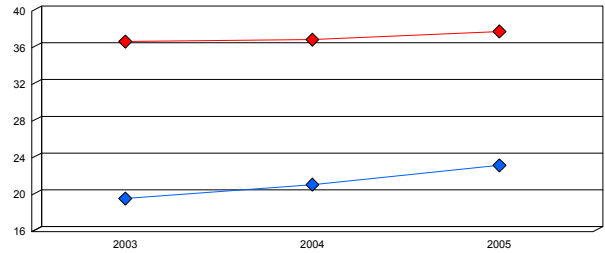
Note: The industry data used in the trend analysis is the average for all companies in this SIC code regardless of size. Consequently the current year industry amounts may be different from those in the previous analysis.

Cash & equivalents as a % of total assets



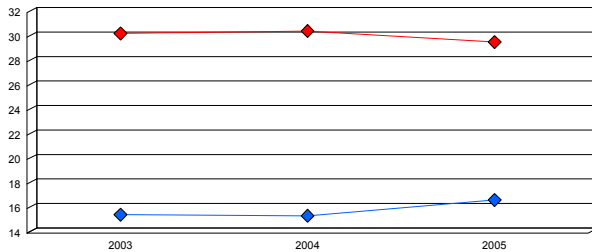
	2003	2004	2005
Company	8.3	7.6	2.6
Industry	6.7	7.0	6.9

Trade receivables as a % of total assets



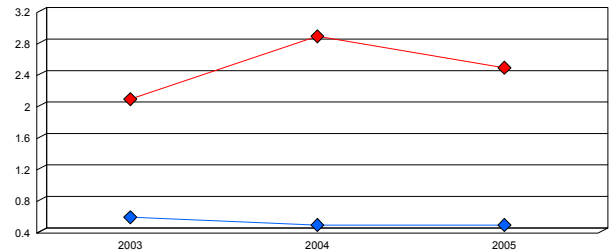
	2003	2004	2005
Company	19.6	21.1	23.2
Industry	36.7	36.9	37.8

Inventory as a % of total assets



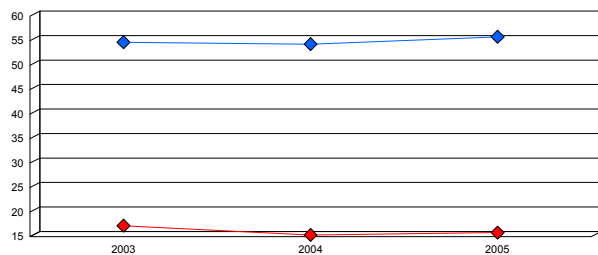
	2003	2004	2005
Company	15.5	15.4	16.7
Industry	30.3	30.5	29.6

Other current assets as a % of total assets



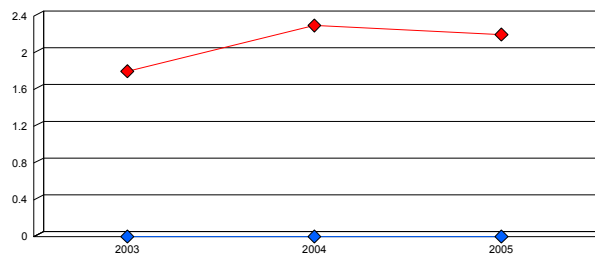
	2003	2004	2005
Company	0.6	0.5	0.5
Industry	2.1	2.9	2.5

Fixed assets as a % of total assets



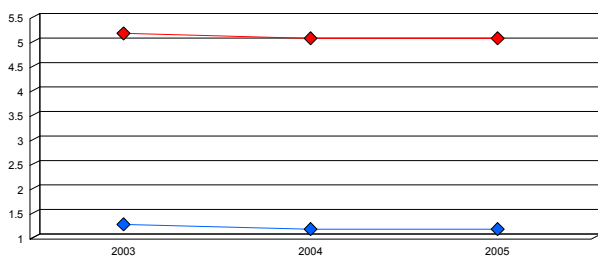
	2003	2004	2005
Company	54.7	54.3	55.8
Industry	17.2	15.3	15.8

Intangible assets as a % of total assets



	2003	2004	2005
Company	0.0	0.0	0.0
Industry	1.8	2.3	2.2

Other assets as a % of total assets



	2003	2004	2005
Company	1.3	1.2	1.2
Industry	5.2	5.1	5.1

Southwest Supply, Inc.

Balance Sheet Analysis - Liabilities

NAICS 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM

Number of statements: 141 Average assets \$4,535,298

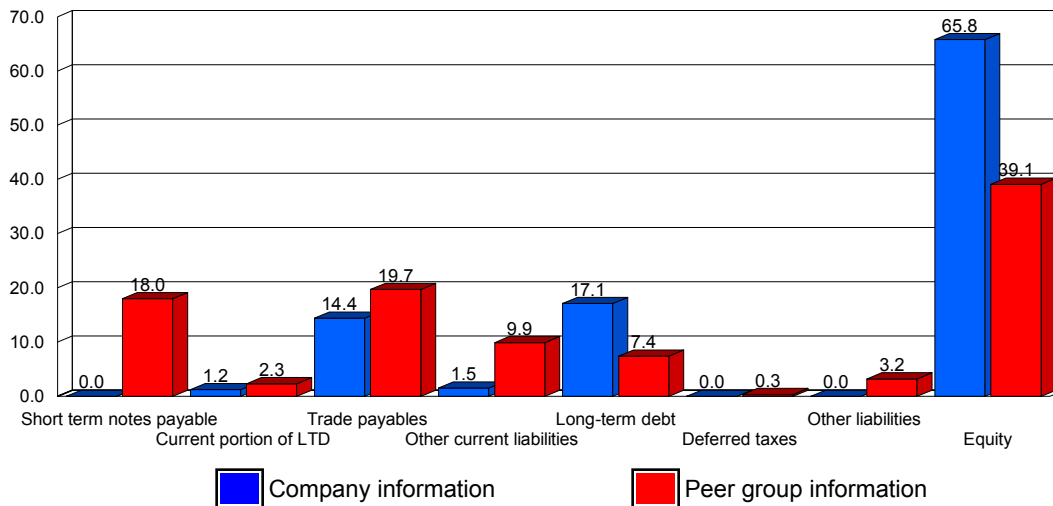
For the most recent period analyzed, the company's net worth as a percent of total assets is higher than the peer group, which would generally indicate a stronger financial position than the peer group. The trend in the company's equity as a percent of assets is also positive.

In addition, the company's current liabilities as a percent of total assets is lower than the peer group. This may indicate a stronger working capital position than the peer group. Particular attention should be paid to the liquidity ratios included in this analysis. The company's total current liabilities as a percent of assets however appears to be increasing.

In addition, the company's long-term debt as a percent of total assets is higher than the peer group. The financing ratios included in this analysis should be reviewed to help assess the company's ability to service the company debt.

Comparison of balances as of December 31, 2005

Percent of Total Liabilities & Equity



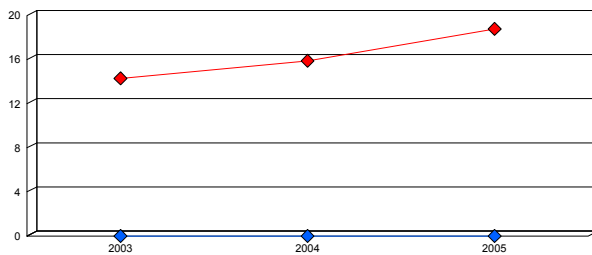
	as of 12/31/05	% of Total	Peer Group %	% Difference
Short term notes payable	0	0.0	18.0	(18.0)
Current portion of LTD	12,639	1.2	2.3	(1.1)
Trade payables	149,625	14.4	19.7	(5.3)
Other current liabilities	15,639	1.5	9.9	(8.4)
Total current liabilities	177,903	17.1	49.9	(32.8)
Long-term debt	177,936	17.1	7.4	9.7
Deferred taxes	0	0.0	0.3	(0.3)
Other liabilities	0	0.0	3.2	(3.2)
Total liabilities	355,839	34.2	60.8	(26.6)
Equity	684,226	65.8	39.1	26.7
Total Liabilities & Equity	1,040,065	100.0	100.0	

Southwest Supply, Inc. - Comparison of Company Trend to Industry Trends

NAICS 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM
Number of statements: 141 Average assets \$4,535,298

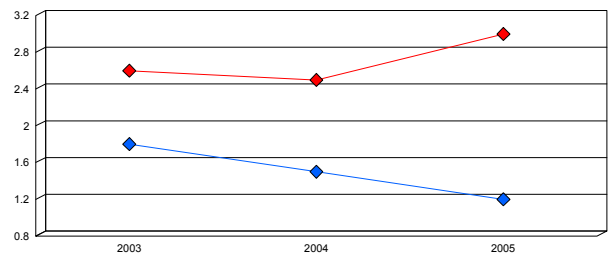
Note: The industry data used in the trend analysis is the average for all companies in this SIC code regardless of size. Consequently the current year industry amounts may be different from those in the previous analysis.

Short term notes payable as a % of total liabilities & equity



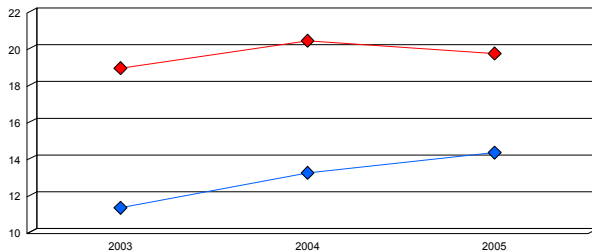
	2003	2004	2005
Company	0.0	0.0	0.0
Industry	14.3	15.9	18.8

Current portion of LTD as a % of total liabilities & equity



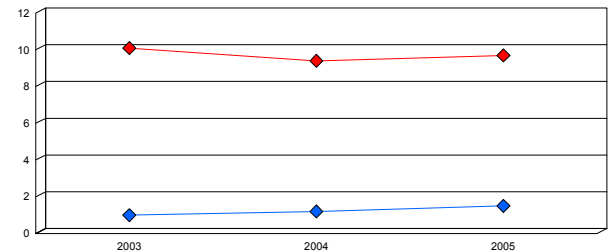
	2003	2004	2005
Company	1.8	1.5	1.2
Industry	2.6	2.5	3.0

Trade payables as a % of total liabilities & equity



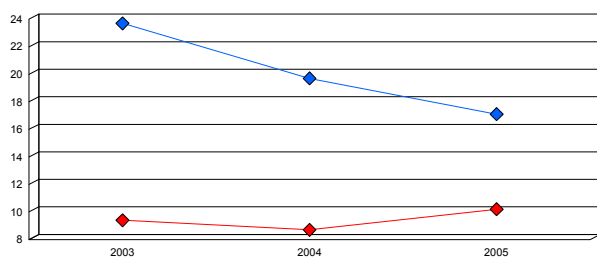
	2003	2004	2005
Company	11.4	13.3	14.4
Industry	19.0	20.5	19.8

Other current liabilities as a % of total liabilities & equity



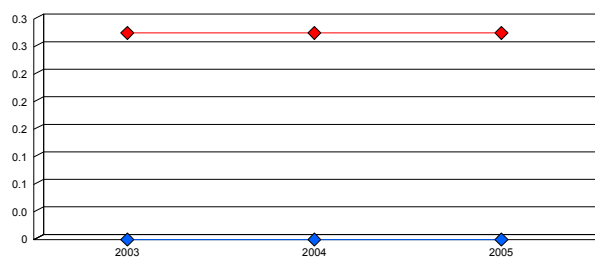
	2003	2004	2005
Company	1.0	1.2	1.5
Industry	10.1	9.4	9.7

Long-term debt as a % of total liabilities & equity



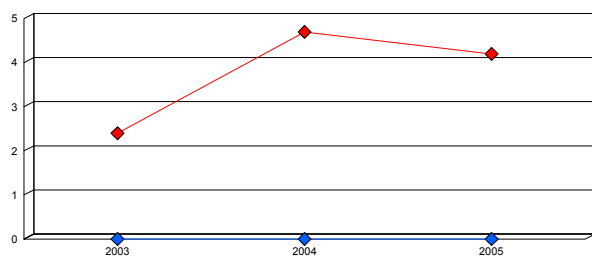
	2003	2004	2005
Company	23.7	19.7	17.1
Industry	9.4	8.7	10.2

Deferred taxes as a % of total liabilities & equity



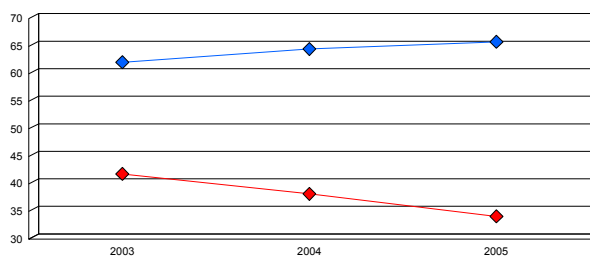
	2003	2004	2005
Company	0.0	0.0	0.0
Industry	0.3	0.3	0.3

Other liabilities as a % of total liabilities & equity



	2003	2004	2005
Company	0.0	0.0	0.0
Industry	2.4	4.7	4.2

Equity as a % of total liabilities & equity



	2003	2004	2005
Company	62.1	64.5	65.8
Industry	41.8	38.2	34.1

Southwest Supply, Inc.

Income Statement Analysis

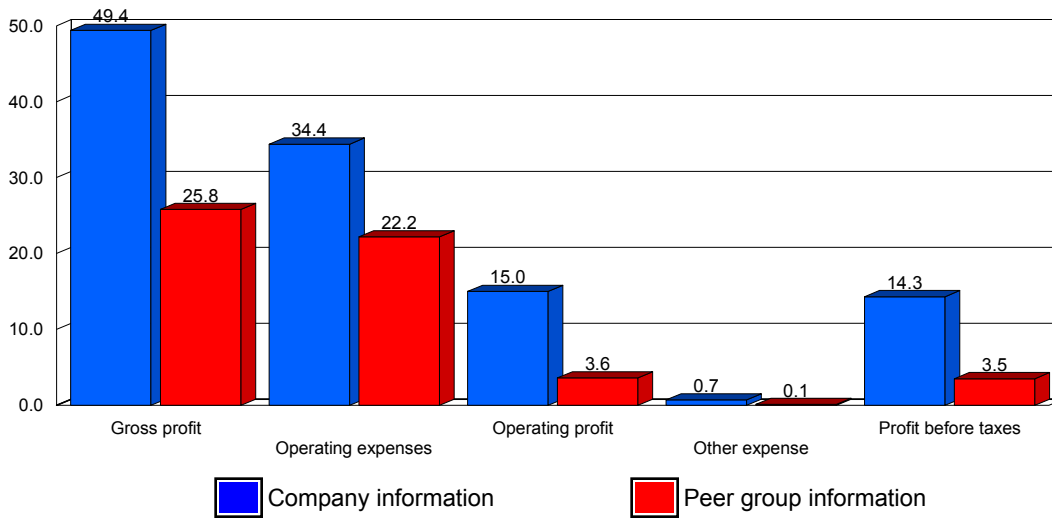
NAICS 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM

Number of statements: 141 Average assets \$4,535,298

For the most recent period analyzed the company's profit before taxes as a percent of sales is higher than the peer group. The company's better than peer group performance is due to a higher gross profit percentage than the peer group. The trend in the company's profit before taxes as a percent of sales is also positive as the result of a favorable trend in operating expenses.

Comparison of balances as of December 31, 2005

Percent of Total Revenue



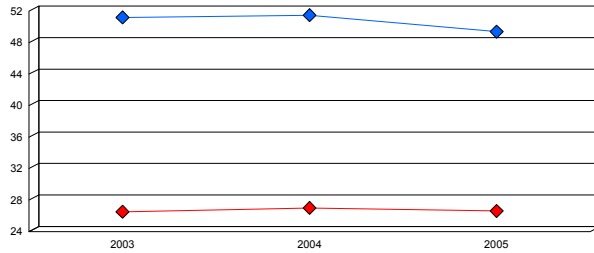
	as of 12/31/05	% of Revenue	Peer Group %	% Difference
Net revenue	2,523,244	100.0	100.0	
Gross profit	1,246,251	49.4	25.8	23.6
Operating expenses	867,918	34.4	22.2	12.2
Operating profit	378,333	15.0	3.6	11.4
Other expense	16,754	0.7	0.1	0.6
Profit before taxes	361,579	14.3	3.5	10.8

Southwest Supply, Inc. - Comparison of Company Trend to Industry Trends

NAICS 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM
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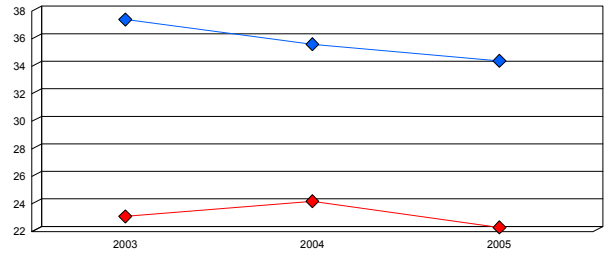
Note: The industry data used in the trend analysis is the average for all companies in this SIC code regardless of size. Consequently the current year industry amounts may be different from those in the previous analysis.

Gross profit as a % of total revenue



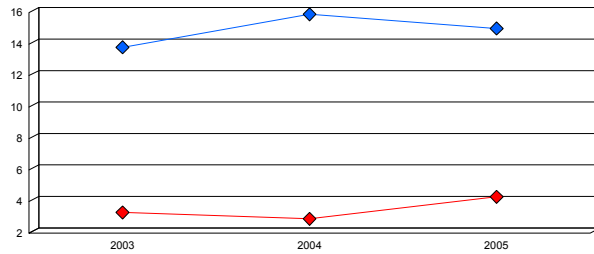
	2003	2004	2005
Company	51.2	51.5	49.4
Industry	26.5	27.0	26.6

Operating expenses as a % of total revenue



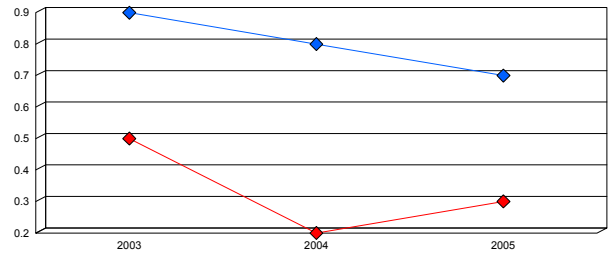
	2003	2004	2005
Company	37.4	35.6	34.4
Industry	23.1	24.2	22.3

Operating profit as a % of total revenue



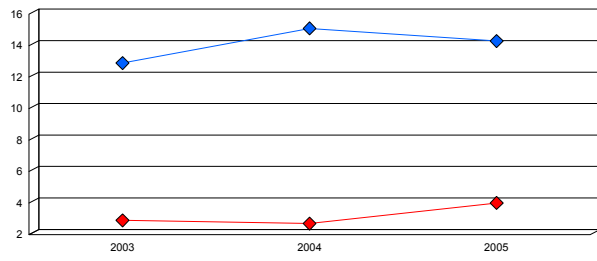
	2003	2004	2005
Company	13.8	15.9	15.0
Industry	3.3	2.9	4.3

Other expense as a % of total revenue



	2003	2004	2005
Company	0.9	0.8	0.7
Industry	0.5	0.2	0.3

Profit before taxes as a % of total revenue



	2003	2004	2005
Company	12.9	15.1	14.3
Industry	2.9	2.7	4.0

Southwest Supply, Inc.

Liquidity Ratios

NAICS 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM

Number of statements: 141 Average assets \$4,535,298

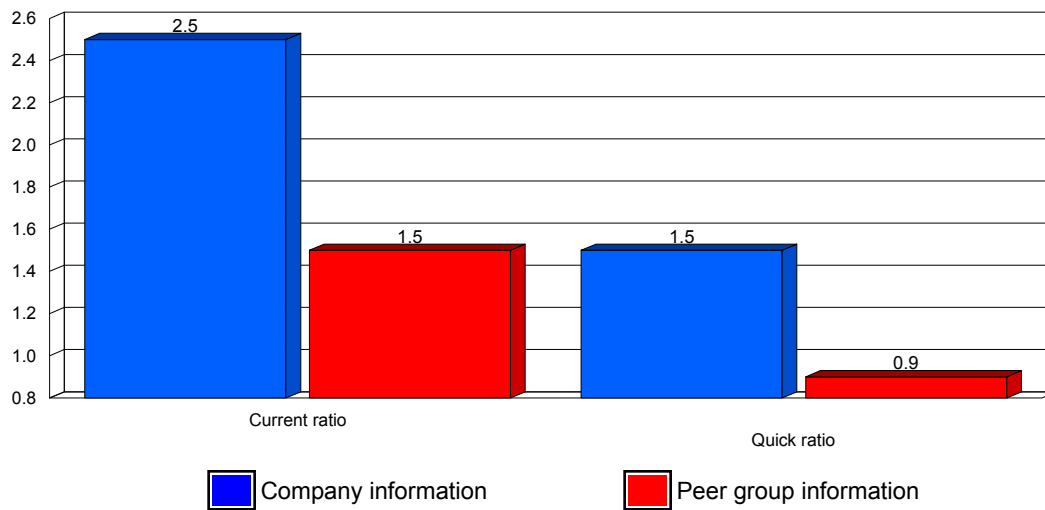
The liquidity ratios measure a company's ability to meet its short term obligations. The higher the values of these ratios, the better the company's liquidity position.

The company's current ratio is greater than 2, which is generally considered favorable. In addition, the company's current ratio is better than the median of the companies in the peer group.

The quick ratio is a refinement of the current ratio and is a more conservative measure of liquidity since it measures the degree to which a company's current liabilities are covered by the most liquid assets, cash and trade receivables. The company's quick ratio is greater than 1. Assuming that any trade receivables are collected on a timely basis, the company's working capital positions would appear adequate. The company's quick ratio is better than the median of companies in the peer group.

For the periods included in the reports, the trend for both the current and quick ratios appears to be unfavorable. This could indicate potential liquidity problems.

Comparison of liquidity ratios as of December 31, 2005



	As of 12/31/05	Median for Peer Group	Quartile Ranking
Current ratio	2.5	1.5	First
Quick ratio	1.5	0.9	First

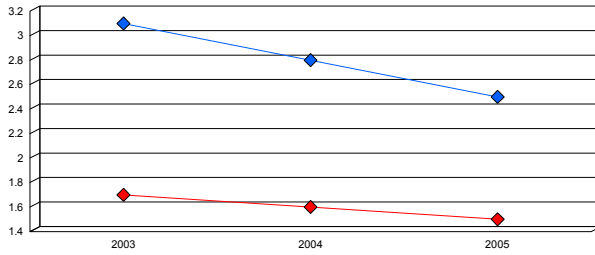
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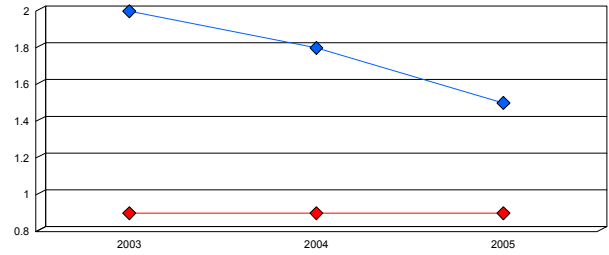
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Current ratio



Quick ratio



	2003	2004	2005
Company	3.1	2.8	2.5
Industry	1.7	1.6	1.5

	2003	2004	2005
Company	2.0	1.8	1.5
Industry	0.9	0.9	0.9

Efficiency Ratios

NAICS 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM

Number of statements: 141 Average assets \$4,535,298

The efficiency ratios provide a measurement of how well the company is managing accounts receivable, inventory and accounts payable. These ratios indicate the average days that receivables, inventory and payables are outstanding or held. A shortcoming of these ratios is that they only reflect data as of the statement date and do not take into consideration any seasonal or unusual fluctuations at period end.

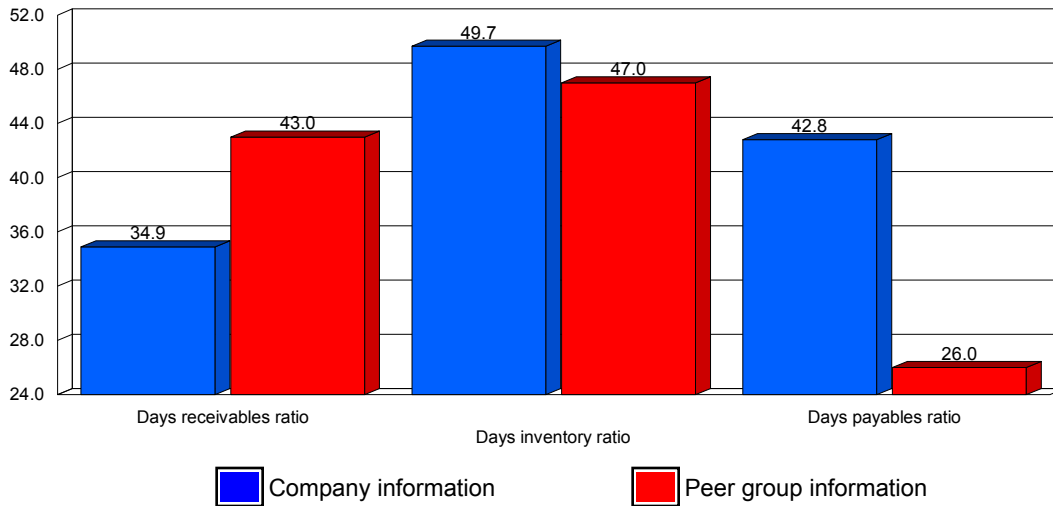
A lower days receivable ratio generally indicates higher quality receivables and/or better receivables management. Based on the data analyzed, the company's receivable collection time appears to be shorter than the peer group, which is favorable.

A lower days inventory ratio indicates higher quality inventory and/or better inventory management. Based on the data analyzed, the company's inventory is being held for a longer period than the peer group.

Based on the data analyzed, the company's payables are being paid more slowly than the peer group.

For the periods included in the reports, the trends in the Efficiency ratios are mixed. Attention should be given to the trend in the days receivables ratio which is unfavorable. The trends in the days inventory and days payables ratios are favorable.

Comparison of efficiency ratios as of December 31, 2005



	As of 12/31/05	Median for Peer Group	Quartile Ranking
Days receivables ratio	34.9	43.0	Second
Days inventory ratio	49.7	47.0	Third
Days payables ratio	42.8	26.0	Fourth

Southwest Supply, Inc. - Comparison of Company Trend to Industry Trends

NAICS 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM

Number of statements: 141 Average assets \$4,535,298

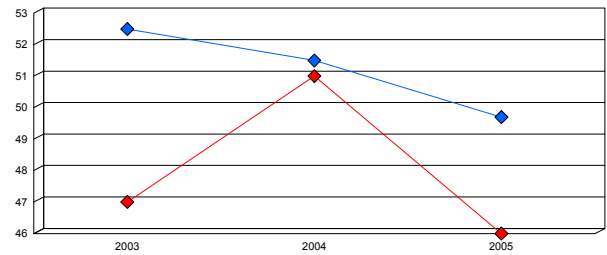
Note: The industry data used in the trend analysis is the average for all companies in this SIC code regardless of size. Consequently the current year industry amounts may be different from those in the previous analysis.

Days receivables ratio



	2003	2004	2005
Company	32.5	34.1	34.9
Industry	41.0	42.0	43.0

Days inventory ratio



	2003	2004	2005
Company	52.5	51.5	49.7
Industry	47.0	51.0	46.0

Days payables ratio



	2003	2004	2005
Company	38.7	44.2	42.8
Industry	26.0	28.0	26.0

Operating Ratios

NAICS 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM

Number of statements: 141 Average assets \$4,535,298

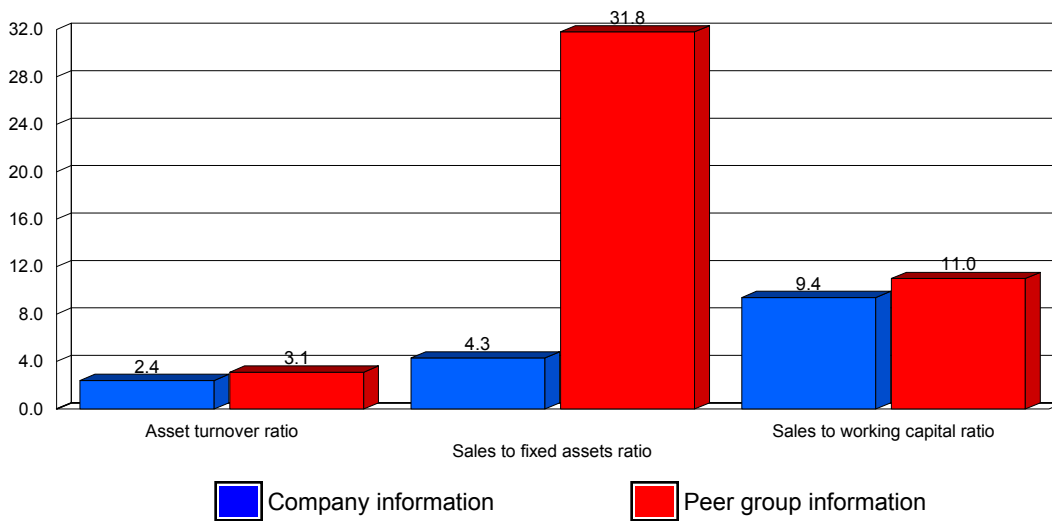
The operating ratios are designed to assist in the evaluation of management performance and provide a measurement of the company's utilization of resources.

Higher values for the Asset Turnover and Sales to Fixed Asset Ratios are generally better and indicate more efficient utilization of assets. Based on the data analyzed, the company's asset turnover ratio is worse than the peer group. Based on the data analyzed, the company's sales to fixed assets ratio is worse than the peer group.

Lower values for the sales to working capital ratio are generally considered better because a lower value would indicate a stronger working capital position. Based on the data analyzed, the company's sales to working capital ratio is better than the peer group.

For the periods included in the reports, the trends in the Operating ratios are mixed. Attention should be given to the trend in the sales to working capital ratio which is unfavorable. The trends in the asset turnover and sales to fixed assets ratios are favorable.

Comparison of operating ratios as of December 31, 2005



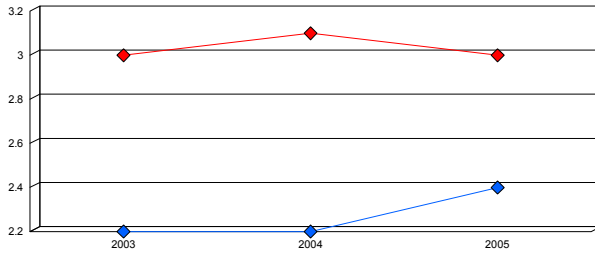
	As of 12/31/05	Median for Peer Group	Quartile Ranking
Asset turnover ratio	2.4	3.1	Third
Sales to fixed assets ratio	4.3	31.8	Fourth
Sales to working capital ratio	9.4	11.0	Second

Southwest Supply, Inc. - Comparison of Company Trend to Industry Trends

NAICS 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM
Number of statements: 141 Average assets \$4,535,298

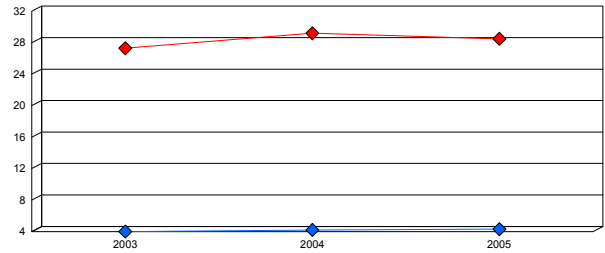
Note: The industry data used in the trend analysis is the average for all companies in this SIC code regardless of size. Consequently the current year industry amounts may be different from those in the previous analysis.

Asset turnover ratio



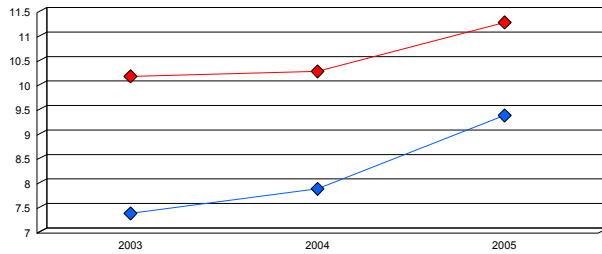
	2003	2004	2005
Company	2.2	2.2	2.4
Industry	3.0	3.1	3.0

Sales to fixed assets ratio



	2003	2004	2005
Company	4.0	4.2	4.3
Industry	27.3	29.2	28.5

Sales to working capital ratio



	2003	2004	2005
Company	7.4	7.9	9.4
Industry	10.2	10.3	11.3

Southwest Supply, Inc.

Financing Ratios

NAICS 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM

Number of statements: 141 Average assets \$4,535,298

The financing ratios measure the company's degree of leverage and its ability to service its debt.

The times interest earned ratio measures the company's ability to pay interest expense on existing debt. Higher values are more favorable. The company's times interest earned ratio is stronger than the median value for the peer group.

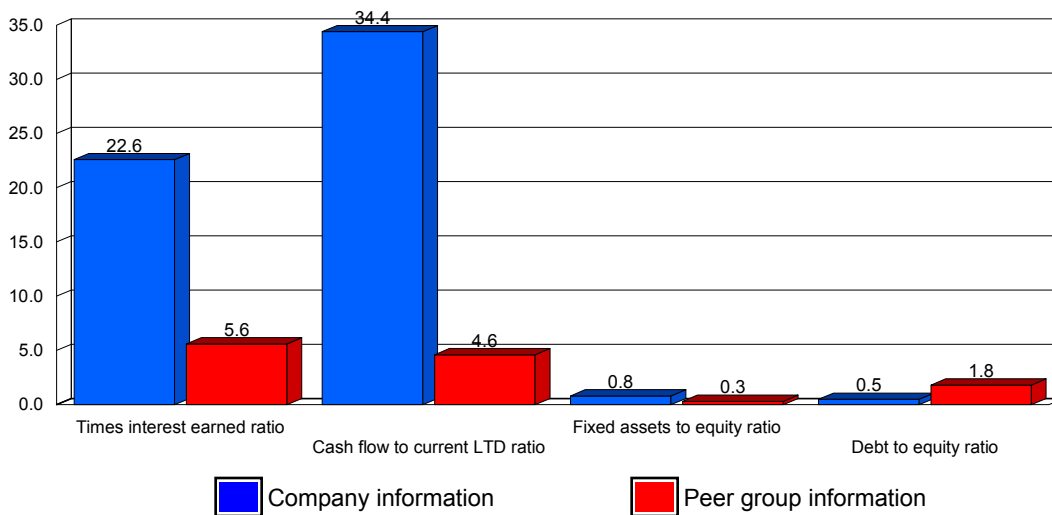
The cash flow to the current portion of long-term debt ratio measures the company's ability to service the repayment of debt. The higher the value of the ratio the better. The company's cash flow to current LTD debt ratio is stronger than the median value for the peer group.

The fixed assets to equity ratio measures the extent to which equity has been invested in fixed assets (plant and equipment). A lower ratio provides better cushion for creditors in case of liquidation. The existence of substantial leased fixed assets not shown on the balance sheet may distort the value of this ratio. The company's fixed assets to equity ratio is weaker than the median value for the peer group.

The debt to equity ratio expresses the relationship between capital contributed by creditors and that contributed by owners. The higher the ratio, the greater the company's vulnerability to business downturns. Based on the data analyzed, the company's debt to equity ratio is better than the peer group.

For the periods included in the reports, the trends in all the Financing ratios were favorable indicating the company's ability to continue servicing its debt is improving.

Comparison of financing ratios as of December 31, 2005



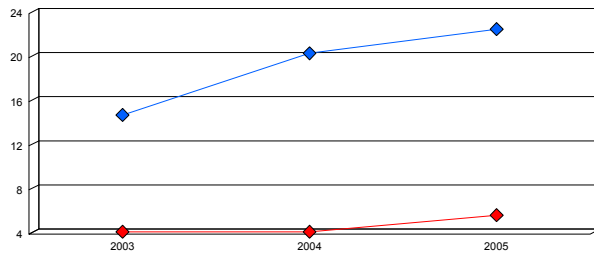
	As of 12/31/05	Median for Peer Group	Quartile Ranking
Times interest earned ratio	22.6	5.6	First
Cash flow to current LTD ratio	34.4	4.6	First
Fixed assets to equity ratio	0.8	0.3	Fourth
Debt to equity ratio	0.5	1.8	First

Southwest Supply, Inc. - Comparison of Company Trend to Industry Trends

NAICS 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM
 Number of statements: 141 Average assets \$4,535,298

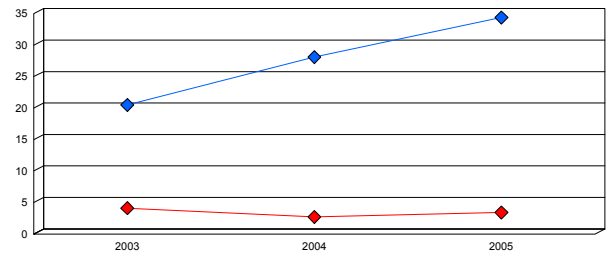
Note: The industry data used in the trend analysis is the average for all companies in this SIC code regardless of size. Consequently the current year industry amounts may be different from those in the previous analysis.

Times interest earned ratio



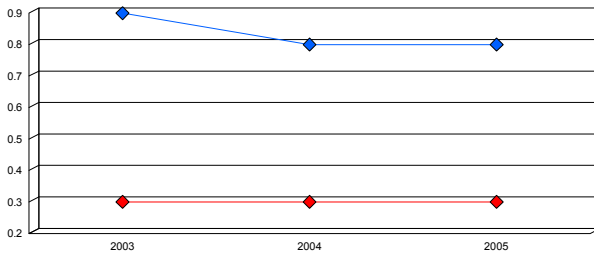
	2003	2004	2005
Company	14.8	20.4	22.6
Industry	4.2	4.2	5.7

Cash flow to current LTD ratio



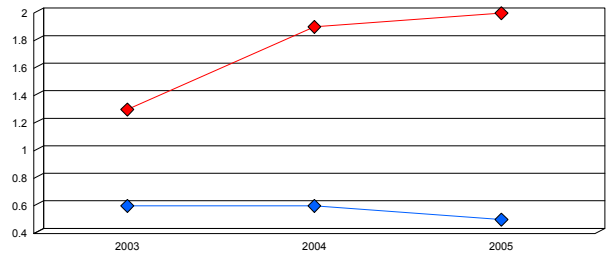
	2003	2004	2005
Company	20.5	28.1	34.4
Industry	4.1	2.7	3.4

Fixed assets to equity ratio



	2003	2004	2005
Company	0.9	0.8	0.8
Industry	0.3	0.3	0.3

Debt to equity ratio



	2003	2004	2005
Company	0.6	0.6	0.5
Industry	1.3	1.9	2.0

Profitability Ratios

NAICS 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM

Number of statements: 141 Average assets \$4,535,298

The profitability ratios are key indicators of the company's success. The higher values for these ratios, the better the company's performance at generating profits.

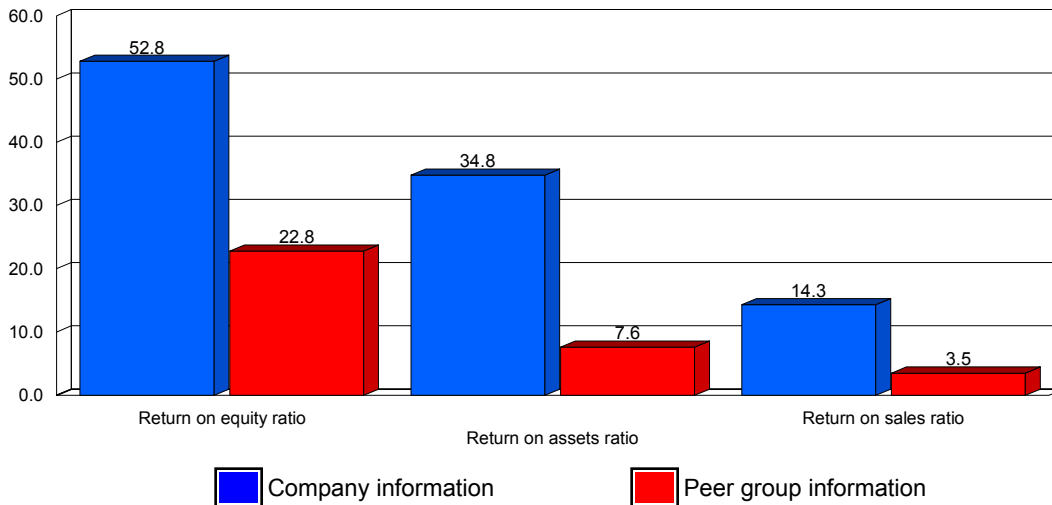
The Return on Equity ratio measures the rate of return on equity capital. Although higher values for this ratio are favorable, a high value could also be in an indication of under capitalization. Conversely, a low return could reflect a highly capitalized, conservatively operated business. The company's return on equity ratio is stronger than the median value for the peer group.

The Return on Assets ratio measures the company's rate of return on assets employed by the company. Heavily depreciated fixed assets or large amounts of intangible assets will distort the value of this ratio. The company's return on assets ratio is stronger than the median value for the peer group.

The Return on Sales ratio expresses the percent of sales that flow to net profits. The company's return on sales ratio is stronger than the median value for the peer group.

For the periods included in the reports, the trends in all the Profitability ratios were favorable indicating improving operating performance.

Comparison of profitability ratios as of December 31, 2005



	As of 12/31/05	Median for Peer Group	Quartile Ranking
Return on equity ratio	52.8	22.8	First
Return on assets ratio	34.8	7.6	First
Return on sales ratio	14.3	3.5	N/A

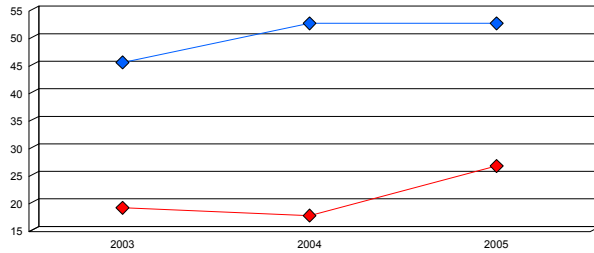
Southwest Supply, Inc. - Comparison of Company Trend to Industry Trends

NAICS 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM

Number of statements: 141 Average assets \$4,535,298

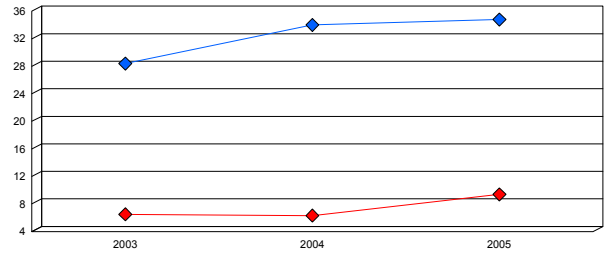
Note: The industry data used in the trend analysis is the average for all companies in this SIC code regardless of size. Consequently the current year industry amounts may be different from those in the previous analysis.

Return on equity ratio



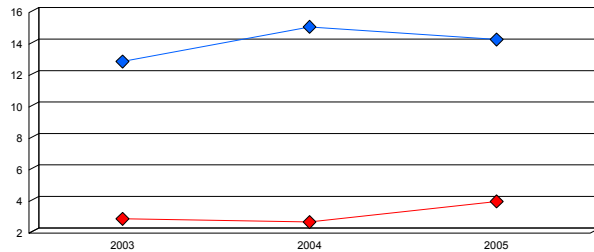
	2003	2004	2005
Company	45.7	52.8	52.8
Industry	19.3	17.9	26.9

Return on assets ratio



	2003	2004	2005
Company	28.4	34.0	34.8
Industry	6.5	6.3	9.4

Return on sales ratio



	2003	2004	2005
Company	12.9	15.1	14.3
Industry	2.9	2.7	4.0

Southwest Supply, Inc.

Expense Ratios

NAICS 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM

Number of statements: 141 Average assets \$4,535,298

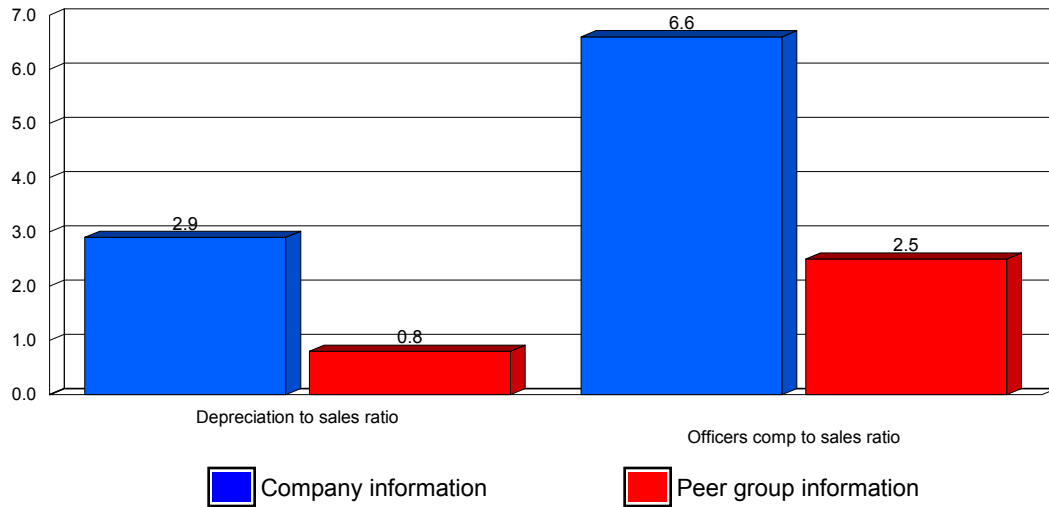
The % Depreciation, Depletion and Amortization Expenses to Sales and % Officers, Directors' and Owners Compensation to Sales Ratios express these specific expenses as a percent of sales.

The company's % depreciation, depletion and amortization expenses to sales ratio is higher than the median value for the peer group.

The company's % Officers, Directors' and Owners Compensation to Sales Ratios is higher than the median value for the peer group.

For the periods included in the reports, although the trend for the depreciation, amortization and depletion expenses as a % of sales ratio is positive, the owners, officer and directors expense as a % of sales ratio trend appears to be unfavorable.

Comparison of expense ratios as of December 31, 2005



	As of 12/31/05	Median for Peer Group	Quartile Ranking
Depreciation to sales ratio	2.9	0.8	Fourth
Officers comp to sales ratio	6.6	2.5	Fourth

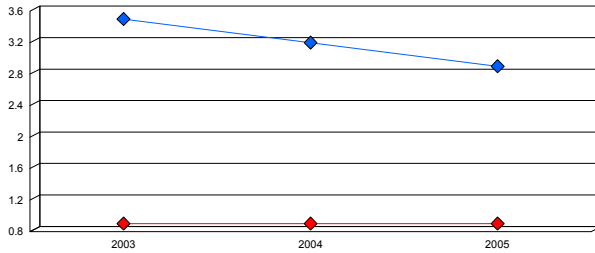
Southwest Supply, Inc. - Comparison of Company Trend to Industry Trends

NAICS 423390 - Other Construction Material Merchant Wholesalers - Asset range \$2MM to \$10MM

Number of statements: 141 Average assets \$4,535,298

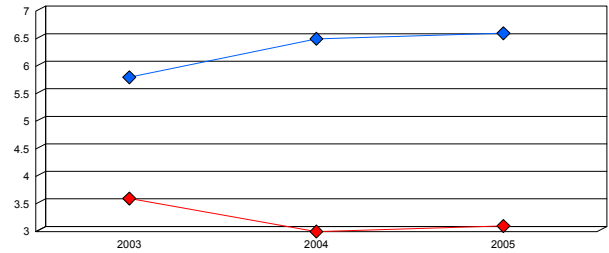
Note: The industry data used in the trend analysis is the average for all companies in this SIC code regardless of size. Consequently the current year industry amounts may be different from those in the previous analysis.

Depreciation to sales ratio



	2003	2004	2005
Company	3.5	3.2	2.9
Industry	0.9	0.9	0.9

Officers comp to sales ratio



	2003	2004	2005
Company	5.8	6.5	6.6
Industry	3.6	3.0	3.1

Glossary

Asset turnover ratio - This ratio is calculated by dividing net sales by total assets and is a measure of the company's ability to generate sales relative to total assets. Higher values for this ratio would indicate more effective employment of assets.

Cash & cash equivalents - Cash and balances in bank accounts plus very safe investments which can be easily converted into cash, such as Treasury Bills and money market funds.

Cash flow to current LTD ratio - This ratio is calculated by totaling net profit and depreciation, depletion and amortization expenses and dividing the total by the current portion of long-term debt (Net profit + depreciation, etc/Current portion of LTD). Although not all cash flow will be available for debt service, this ratio is a valid measure of the company's ability to service long-term debt.

Current assets - Cash, accounts receivable, inventory, marketable securities, prepaid expenses, and other assets that could be converted to cash in less than one year.

Current portion of LTD - The portion of long-term debt that will need to be repaid in the next year.

Current ratio - This ratio is calculated by dividing total current assets by total current liabilities and provides a rough indication of a company's ability to service its current obligations. Generally, the higher the current ratio, the greater the cushion between current obligations and a company's ability to pay them. However, the composition and quality of current assets is important in assessing the company's ability to pay its' obligations.

Days in inventory ratio - The formula for this ratio is $365/(\text{Cost of sales}/\text{Inventory})$. This ratio expresses the average time in days that items remain in inventory. A high value for this ratio might indicate inefficient use of working capital. Generally, a lower value for this ratio would indicate more efficient inventory management. A problem with this ratio is that it compares inventory a one point in time, the statement date, and does not take into account unusual or seasonal fluctuations that occur as of the statement date.

Days in payables ratio - The formula for this ratio is $365/(\text{Cost of sales}/\text{Trade payables})$. This ratio expresses the average time in days that trade debt is outstanding. A low value for this ratio might indicate inefficient use of working capital. A high value may indicate a working capital shortage. A problem with this ratio is that it compares trade payables at one point in time, the statement date, and does not take into account unusual or seasonal fluctuations that occur as of the statement date.

Days in receivables ratio - The formula for this ratio is $365/(\text{Sales}/\text{Trade receivables})$. This ratio expresses the average time in days that receivables are outstanding. A lower value for this ratio is more favorable since it implies that receivables are being collected more quickly. One problem with this ratio is that since it uses trade receivables as of the statement date, the value of the ratio will be distorted if receivables as of the statement date are unusually high or low.

Debt to equity ratio - This ratio is calculated by dividing total liabilities by equity or net worth and expresses the relationship between capital contributed by creditors and that contributed by owners. A lower ratio would indicate greater financial stability and greater ability to borrow in the future.

Deferred taxes - A tax liability that results from income that has already been earned for accounting purposes but not for tax purposes.

Fixed assets (net) - Long-term tangible assets held for business use and not expected to be converted to cash in the current or upcoming fiscal year, such as manufacturing equipment, real estate and furniture net of accumulated depreciation or depletion.

Gross profit - an amount equal to net sales less cost of sales.

Intangible assets (net) - Something of value that cannot be physically touched, such as goodwill, trademarks, or patents net of accumulated amortization.

Inventory - A company's merchandise, raw materials, and finished and unfinished products which are held for sale.

Long-term debt - Amounts due after one year on loans and obligations with a maturity of longer than one year.

Net fixed assets to equity ratio - Calculated by dividing net fixed assets by equity or net worth this ratio measures the extent to which owner's equity has been invested in plant and equipment (fixed assets). A lower ratio value is more favorable. The presence of substantial leased fixed assets may deceptively lower this ratio.

Net profit - operating income less other non-operational expenses and income. Interest expense is considered a non-operational expense.

Net sales - gross sales less returns, discounts and allowances.

Notes payable (short-term) - Notes or obligations that are due within one year.

Operating expenses - an expense arising in the normal course of running a business.

Operating profit - gross profit less operating expenses.

Other current assets - all current assets other than cash and cash equivalents, trade receivables and inventory.

Other current liabilities - all current liabilities other than trade payables, short-term notes payables, current portion of long-term debt and income taxes payable.

Other expense - includes income and expense from activities other than normal business operations. This classification includes items such as interest expense and the gain or loss from the disposal of non-inventory assets.

Other non-current assets - non-current assets other than intangible assets and any associated accumulated amortization. Non-current assets are assets that are not expected to be converted to cash in the next year.

Other non-current liabilities - non-current liabilities other than deferred taxes. Non-current liabilities are liabilities that are not due in the next year.

Quartile rankings - Values for the ratios for each financial statement in the peer group are arrayed (listed) in an order from strongest to weakest. The arrayed values are then divided into four groups of equal size. The three points that divide the four groups are called quartiles (upper, median and lower quartile). If the ratio value for the company is better than upper quartile value, the company is assigned a "First" quartile ranking which means the value for this ratio is in the top 25% of companies in the peer group. If the company's ratio value falls below the median, but above the lower quartile, the company is assigned a "Third" quartile ranking.

Quick ratio - Also known as the "Acid Test" this ratio is calculated by dividing the total of cash and trade receivables by total current assets. This ratio is a more conservative measure of the company's liquidity than the current ratio because it only includes the most liquid assets. Any value of less than 1 would imply the need to liquidate inventory or other current assets in order to pay short term liabilities.

Regression analysis - a mathematical technique in which a straight line is fitted to a set of data points to measure the effect of a single independent variable. For the purposes of this report regression is used to compute the trend in the company's values over time.

Return on assets ratio - This ratio, expressed as a percentage, is calculated by dividing profit before tax by assets. This important ratio measures the company's effectiveness in employing the company's resources.

Return on equity ratio - This ratio, expressed as a percentage, is calculated by dividing profit before tax by net worth or equity. This ratio measures the company's rate of return on equity capital. A higher ratio value is better.

Return on sales ratio - This ratio, expressed as a percentage, is calculated by dividing profit before tax by sales. This very important ratio measures the percent of sales revenue that flows to net income. A higher ratio value is better.

Sales to fixed assets ratio - This ratio is computed by dividing net sales by fixed assets and is a measure of a company's effectiveness in using its fixed assets. Higher values for this ratio would indicate more effective use of fixed assets. Highly depreciated fixed assets may cause a distortion of this ratio.

Sales to working capital ratio - This ratio is computed by dividing sales by working capital (current assets - current liabilities) and reflects the company's ability to finance current operations. Lower values are favorable for this ratio and would indicate a more larger working capital cushion. However, a very low value may indicate inefficient use of working capital. A very high value for this ratio may indicate a working capital shortage.

Times interest earned ratio - This ratio is computed by dividing net profit before interest and taxes by interest expense and is a measure of the company's ability to meet interest payments. The higher the ratio value the better the company's ability to meet interest payments.