

QUARTERLY REPORT



**John Herring, Chairman and CEO,
A-1 Global Holdings, Inc.**

The New Dawn is Here!

In our last report, we talked about becoming a 100-year Company. We discussed new technologies, AI, the challenges ahead, long-term contracts—and yes, **IMMIGRATION**. Well, that new dawn is almost here. Nearly every day, I get calls from customers, industry peers, and business friends. Two topics dominate: **Tariffs** and **Immigration**. Let me share my perspective on both—right now.

The Tariffs could impact A-1 in several ways: steel costs, plates and hangers, and of course, lumber. Talking with our plate suppliers, yes, we will see increases in steel costs – likely in the double digits. This comes with the caveat that the market may bounce back or increase slightly. We are working closely with our vendor, first to ensure we have proper supply, second, plenty of notice on increases.

As for lumber, we're seeing changes in both supply and pricing for the first time in a long while. A-1 is actively securing our needs and keeping pricing as stable as possible. We've added more vendors,

locked in some of the best pricing programs we've ever had, and negotiated stronger contracts.

What's the difference this time? The spread between **SPF (Spruce-Pine-Fir)** and **SYP (Southern Yellow Pine)** is significant. SPF is already priced high, so going higher will have little effect. Note, all our vendors and materials are domestically manufactured. So, what happens when cheaper China and overseas steel markets dry up, American mills see increased demand. For lumber, if Canada's tariffs get implemented, that spread will further drive cost of SPF up. With a \$200 premium already on Canadian SPF, that switch already happened so our mills don't expect a switch. Normally it is the other way around. America imports SPF because it is cheaper. Not so today.

With that in mind, immigration "could" have a different effect, causing demand to NOT be as high. If there are no workers to build the houses, no workers to build trusses. demand WILL slow. Most steel and lumber mills are automated so I see little effect immigration will have except maybe transportation. A Lot of moving parts! This will mitigate all the price increases. Neither scenario is good for sure!

Immigration is where it gets messy, complicated, and political and is already taking center stage – this is a real threat to our industry. E-Verify will be a required process. That means you must ensure that all your employees—and subcontractors—have verified legal status. If you're using leasing companies, temp services, or any form of outsourced labor, you're still responsible for vetting those workers. No more passing the buck. The government is watching, and enforcement is already underway. Check out these stories:

- **DOJ Press Release:** <https://www.justice.gov/usao-sdfl/pr/florida-company-and-former-employee-plead-guilty-conspiring-harbor-aliens-means>:

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- **CBS Channel 12 News:** <https://cbs12.com/news/local/company-and-former-employee-plead-guilty-to-conspiring-to-harbor-aliens>

The administration is aware and moving fast. Once the borders are secured and deportations begin, they'll turn their attention to undocumented workers already here—and **construction will be a target**. We don't know how many undocumented workers are in construction. But we do know there are about **11.8 million** illegal immigrants in the U.S. as of 2023. We're working with lobbyists in Tallahassee and Washington, as well as the SBCA (our National Truss Association), and let me tell you—it's complicated.

As an industry, we must come together. We need to voice our concerns, propose solutions, and demand that our senators and congressional reps listen. Start with those with work status papers, provide them with a path to stay, then work with businesses to sponsor the next group of workers.

If we lose a large number of honest, hardworking people, we could face a **housing crisis** like we've never seen. No one to build the homes. And worse—if homeowners are deported or leave voluntarily, defaults increase. Banks get hit. The **entire economy suffers**. I don't believe Washington wants that – So talk to your legislators and let's all work together to solve this issue.

At A -1, we're planning ahead. We're doing everything we can to be your **supplier of choice**, your **trusted partner**, your **go-to Company when you need us most**.

You can count on us. Thank you for your loyalty, your trust, and your continued business.

Let's get through these interesting times - **Together**.



John Herring
Chairman and CEO,
A-1 Global Holdings, Inc.
561-436-3454



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