December 29, 2013

Research Appendix 3:

Disclosures about Material Financial Reporting Reporting Weaknesses

Textura's disclosures on material reporting weaknesses remained unchanged through the IPO and follow-on offering process, from its first S-1 for the IPO in April 2013, through the 424B4 for its follow-on, filed in September 2013. By the last filing , the only change was the company stating they "were in the process of hiring additional accounting personnel" as part of the remediation plan referenced below. Therefore we have refrained from copying in redundant verbiage. Because it all repeats except for the line above, it doesn't add anything to this discussion.

If the highlighted section below doesn't put all investors on notice that there's a nasty disappointment coming, we don't know what else to say. It states our **exact concerns about complex referral-for-equity agreements** -- with Aon and who knows what other parties.

424B4 Excerpt on Financial Reporting Weaknesses Dated 9-20-2013

Internal Control over Financial Reporting

In preparation for our initial public offering and for future compliance with Section 404 of the Sarbanes-Oxley Act, we concluded that a material weakness in internal control over financial reporting related to our control environment existed as of September 30, 2012 as described below.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

- We did not maintain a sufficient complement of personnel with the appropriate level of accounting knowledge, experience, and training in the application of GAAP commensurate with our financial reporting requirements. Specifically, we did not maintain adequate qualified personnel with regard to certain significant complex transactions and technical accounting matters and we lacked adequate controls regarding training in the relevant accounting guidance, review and documentation of certain complex accounting transactions and review of related accounting disclosures such as the accounting for convertible debenture financing agreements, including any embedded features, business combinations and share-based compensation transactions in accordance with GAAP.

424B4 Excerpt on Financial Reporting Weaknesses Dated 9-20-2-13, Continued p2

This material weakness in our control environment contributed to the following individual material weaknesses in our internal control over financial reporting:

- We did not maintain effective internal controls related to our accounting for convertible debentures to provide reasonable assurance that (a) the instruments were valued correctly and (b) all pertinent facts related to the convertible debentures, including the impact of conversion and redemption or other embedded or derivative features, were identified and considered for appropriate accounting in accordance with GAAP. Specifically, this material weakness resulted in material misstatements and audit adjustments of non-cash interest expense, convertible debenture and derivative liabilities and additional paid-in capital to the consolidated financial statements for the fiscal years ended September 30, 2010, 2011 and 2012.
- **We did not maintain effective internal controls related to the accounting for business acquisitions to provide reasonable assurance that (a) business combination accounting identified and considered all pertinent factors related to all classes of securities of the acquired entity, including any non-controlling interests and (b) there was appropriate review of the purchase price allocation entries recorded in the consolidated financial statements. Specifically, this material weakness resulted in material misstatements and audit adjustments to non-controlling interest and the related income (loss) attributable to our company and the non-controlling interest, additional paid-in capital, deferred revenue and revenue, goodwill, intangible assets net and the related amortization expense to the consolidated financial statements for the fiscal year ended September 30, 2012.**

These material weaknesses could result in misstatements of the aforementioned accounts that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected on a timely basis.

Plan for Remediation of the Material Weaknesses

We are currently in the process of implementing our remediation plans. To date, we have implemented and are continuing to implement a number of measures to address the material weaknesses identified. In January 2013, we hired a corporate controller with appropriate experience applying GAAP technical accounting guidance, and we have hired additional accounting personnel over the past several months. We are also designing additional controls around identification, documentation and application of technical accounting guidance with particular emphasis on events outside the ordinary course of business. These controls are expected to include the implementation of additional supervision and review activities by qualified personnel, the preparation of formal accounting memoranda to support our conclusions on technical accounting matters, and the development and use of checklists and research tools to assist in compliance with GAAP with regard to complex accounting issues. We intend to complete the implementation of our remediation plan during fiscal 2013.

424B4 Excerpt on Financial Reporting Weaknesses Dated 9-20-2-13, Continued p2

In addition, in June 2013, we engaged a third-party provider to help us assess and improve our internal controls for complying with the Sarbanes-Oxley Act. The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligations. As we continue to evaluate and take actions to improve our internal control over financial reporting, we may determine to take additional actions to address control deficiencies or determine to modify certain of the remediation measures described above.

We cannot assure you that the measures we have taken to date, or any measures we may take in the future, will be sufficient to remediate the material weaknesses we have identified or avoid potential future material weaknesses.

From the 10-K -- Excerpt on Financial Reporting Weaknesses -- 11-26-2013

424B4 Dated 9-20-2013

Management's Annual Report on Internal Control Over Financial Reporting

This Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our registered public accounting firm as permitted in this transition period under the rules of the SEC for newly public companies.

Remediation of Material Weakness

We previously reported material weaknesses that were identified as of September, 30 2012 relating to the design and operating effectiveness of our internal control over financial reporting. The material weaknesses resulted from a lack of sufficient number of qualified personnel within the accounting function that possessed an appropriate level of expertise to effectively perform the following functions:

- identify, select and apply U.S. GAAP sufficient to provide reasonable assurance that transactions were being appropriately recorded; and

- design control activities over the financial close and reporting process necessary to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements.

In January 2013, we hired a corporate controller with appropriate experience applying GAAP technical accounting guidance, and we have hired additional accounting personnel over the second, third and fourth quarters of fiscal 2013. In addition, we implemented controls around the identification, documentation and application of technical accounting guidance with particular emphasis on events outside the ordinary course of business. These controls include the preparation of formal accounting memoranda to support our conclusions on technical accounting matters and the development and use of checklists and research tools to assist in compliance with GAAP with regard to complex accounting issues. We also implemented several controls to strengthen our control environment surrounding our financial statement close process as of September 30, 2013. As a result of the remediation activities and controls in place as of September 30, 2013 described above, we have remediated the material weaknesses that were disclosed and included in our Registration Statements on Form S-1 that were declared effective in June 2013 and September 2013.

In addition, in June 2013, we engaged a third-party provider to help us assess and improve our internal controls for complying with Section 404 of the Sarbanes-Oxley Act. The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligations.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the fourth quarter of fiscal 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except as disclosed in *Remediation of Material Weakness* above.

Citron's Observations:

The company states that even though it was only booking $35.5 millon in revenue in 2013, and only $21.7 million in 2012, which is maybe 1/10th of the revenue Textura would need to grow into its current valuation, it was apparently far too complex to be able to process it with current personnel when they issued their IPO. These matters weren't resolved when they issued their nearly $200 million follow-on either. However, management went right ahead with taking public investment money in both transactions.

Let alone that their CEO is an experienced "audit partner" with a big-4 accounting firm, and has had nearly 10 years to get Textura's accounting right.

Specifically, they were unsure how to book various convertible debt financing agreements, including "accounting for convertible debenture financing agreements, including any embedded features, business combinations and share-based compensation transactions in accordance with GAAP".

These are **precisely the transactional areas** that Citron cautions may be problematic – and the source of potential material misrepresentation due to related party revenue recognition, with the risk of subsequent restatement.

Nonetheless, Textura acknowledged that as of the date of both financings, **they needed more supervision and review of their accounting by qualified personnel** to prevent that exact outcome: the issuance of financial statements, which investors were relying upon for investment decisions, that contained material misrepresentations.

As of the follow-on, they hired a consultant and were contemplating taking "additional actions"…

10-K Update Conclusions

However, as of their 10-K, filed just 10 weeks later, they state that these deficiencies are remedied, **without identifying the need for a single restatement or adjustment whatsoever! A complete clean bill of health – self conferred.** Note that **they do not include** a management report about the status of current accounting deficiencies or attestation by the auditor, due to the exemptions claimed to be provided by the SEC exceptions for newly public companies.

Caveat emptor!