PRECOURSE CASE STUDIES

Earl's Candy Corp. & Payne Equipment

Dear Participant:

Welcome to RMA's Mentor Structuring Commercial Loans I course.

In preparation for the course, please review the Structuring Commercial Loans 1 Reference Guide and read the two cases, Earl's Candy Corp. and Payne Equipment LLC.

The Reference Guide is a document you will use during the course. It provides loan structuring considerations and guidelines for key elements of the loan structuring process. It is not necessary to study or memorize any portion of the Reference Guide. Simply review its contents so that you are familiar with the information it contains and be able to locate what you need when using the guide in-class.

During class, we will be using Earl's Candy Corp. and Payne Equipment LLC case studies to assist with applying what has been learned during the course. Please read each case dialog and carefully review the historical financial statements as well as the company projected financial statements. Prior to class complete a financial analysis of each company addressing:

- Historical financial condition and operating performance (leverage, liquidity, debt service capacity) of each company.
- Projected financial condition and operating performance of each company.
- Identify the credit requests from each company.
- Identify the credit risks for loans to the company in each case.

Bring your notes and any questions with you to class, to assist with the case assignments.

PRECOURSE CASE STUDIES

Attached are:

- Earl's Candy Corp. case dialog
- Earl's Candy Corp. FYE 6/30/X0 and 6/30/X1 spreads
- Earl's Candy Corp. interim data for FY 20X1
- Earl's Candy Corp. projections for FYE 6/30/X2 and FYE 6/30/X3

- Payne Equipment LLC case dialog
- Payne Equipment LLC FYE 2/X0 thru FYE 20X4
- Payne Equipment LLC interim data for FY 20X4
- Payne Equipment LLC projections for FYE 20X5 and FYE 20X

PRECOURSE CASE 1

EARL'S CANDY CORP

Earl's Candy is a local family owned and operated company established in 1987. Earl Thomas who was an executive for one of the major candy manufactures started it. His idea was to offer more specialty milk chocolates with various fillings. He began with used equipment in a rented facility. The business grew rapidly in the earlier years and has been relatively stable for the last decade with sales rising in line with inflation to its current level in 20X1 of $5,150,000. The company now employs 12 people including the Earl Thomas Junior, the present CEO and son of the founder. Junior is 47 years old. He is a graduate of the State University and has been with the company in a management capacity for over a decade. Earl's now operates out of a 10-year-old building constructed by the company with the financial assistance of First Local Bank. First Local has a first mortgage on the company facility, which has a balance of $750,000 payable over the next 10 years.

Earl Thomas and his wife, Betty, are the largest stockholders with 45% of the stock. He is no longer active in the business. Earl Junior and his wife, Susan, own 30% of the stock. Junior is the only active member of the family in the company. He has been the CEO of the company for the last 5 years. All the other employees have been with the company for 3 or more years and collectively own the remaining 25% of the stock.

First Local bank has been Earl's only bank since inception. The family and the company do all of their banking business with First. The credit relationship consists of the mortgage noted earlier; a secured (blanket lien on current assets) line of credit in the amount of $550,000 with a 60-day annual cleanup; and several small equipment loans aggregating about $350,000 The equipment loans are secured by the equipment and amortize over a 2-to-5-year periods. The mortgage and equipment loans are supported by the guarantees of the four Thomas's. Considering the long and favorable history, the guaranty of the line was dropped 3 years ago. All accounts have been handled in a satisfactory manner.

Earl and Betty Thomas have an outside net worth of $1,000,000 consisting of: a house ($350,000), retirement accounts ($550,000) and personal assets ($100,000) with no debts. They have a fixed annuity funded by their company 401K, which provides the majority of their income. Earl and Susan Thomas Junior have an outside net worth of $500,000 made up of: a house ($200,000 net of a $250,000 mortgage), savings and retirement accounts of $200,000 and $100,000 in personal assets.

Attached is the June year-end CPA reviewed financial statements of Earl's Candy for the fiscal years ending 6/30/ X0 and 6/30/X1 along with the monthly interims for 20X1. The bank is provided monthly statements within 30 days of the month end. As the statements reflect, Earl enjoyed another good year with sales rising $350,000 and earnings rising to $171,000. A dividend of $100,000 was paid to the owners based upon these results. Junior is the only Thomas drawing a salary from the company. His compensation is $120,000 per annum.

PRECOURSE CASE 1

EARL'S CANDY CORP

Over the last 12 months, Earl Junior has been evaluating the company's options to replace some of the functional but old processing equipment. The new equipment will cost $600,000 (net of the scrap value for the current processing equipment which will be traded into the equipment dealer). Although the operating cost is about the same, the new equipment can support both an increased volume (75% more) plus provides a faster line changes. This gives Earl's access to more contract business, which provide better margins. It also adds flexibility for low fat and caffeine free candies. The terms for the purchase of the new processing equipment are: 10% down payment with the order; 50% upon delivery (expected in May); 30% upon completion of installation (expected in June): and the final 10% within 30 days of acceptance.

With the acquisition of this new asset in mind, Junior has come to you for renewal of the existing line plus a term loan to buy the new processing equipment. Earl Thomas, Sr. and Earl Thomas, Jr. will each inject $75,000 cash as subordinated debt for up to ten years to supply funds for a $150,000 down payment. The company would like the bank to finance 70-80% of the total expenditure. There is still $30,000 owed under current term loans used to finance old equipment, which is to be scrapped. The new equipment has a class life per the IRS guidelines of 10 years.

At present, Earl's sells candy to convenience stores, supermarkets and drug stores in the tri-county area. The current equipment is operating near capacity. Junior is anticipating that the new equipment will not only increase productivity but also allow Earl's Candy to expand its market to the surrounding communities. A regional supermarket chain, which operates 100 stores, has expressed an interest in placing Earl's Candy on its shelves in all of its stores. At present Earl's candy is in 30 of the supermarket's stores. This supermarket is Earl's largest customer. Last year they bought nearly $1,000,000 from Earl's. Since Earl's is not as well known outside of the city that it operates out of, the supermarket executives and Earl Junior feel that the expansion to sell in the other 70 stores would generate up to $1,500,000 in additional sales. This can only happen if Earl buys the new equipment.

Considering the above, Earl Junior has provided projections for the next 2 years, 6/30/X2 and 6/30/X3. The new equipment will not require any added labor. Attached are these projections along with the assumptions used.

This is a relatively mature and fragmented industry with a few very large multinational players (The Hersey's Company, Mars Inc. and Nestle SA) and hundreds of small candy processing businesses around the country. Most of the candy sales are made to convenience stores, drug stores and supermarkets. Candy is a big income item for these retailers. Sales for the industry are growing slightly faster than the economy as a whole. The major keys to marketing for the candy companies are consumer product awareness and retail shelf space. The more favorable space allotments go to the large companies. The products are both perishable (shelf life less than 1 year) and seasonal (Valentines' day, Easter, Mother's day, Halloween and Christmas). The candy industry is over $10 billion dollars. It is also sensitive to the economy's ups and downs. Retailers often order candy months in advance with sales spiking up the last week of each season.

As the account officer for the Earl's candy credit, you are directed to put together a credit package of loans to meet the company needs. You need to support the amount of each facility and the terms (conditions, loan to value, amortization, etc.).

PRECOURSE CASE 1

EARL'S CANDY CORP

EARL'S CANDY CORP. (000) BALANCE SHEET													
	JUNE 20X0	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE 20X1
Cash	$145	$100	$95	$50	$50	$50	$50	$50	$50	$50	$50	$260	$185
A/R	$200	$120	$120	$240	$340	$600	$600	$480	$540	$360	$500	$240	$200
Inventory	$200	$200	$350	$400	$600	$500	$700	$500	$700	$500	$500	$300	$220
Current Assets	$545	$420	$565	$690	$990	$1,150	$1,350	$1,030	$1,290	$910	$1,050	$800	$605
Net Fixed	$1,506	$1,500	$1,494	$1,488	$1,482	$1,476	$1,470	$1,462	$1,456	$1,450	$1,444	$1,438	$1,432
Total Assets	$2,051	$1,920	$2,059	$2,178	$2,472	$2,626	$2,820	$2,492	$2,746	$2,360	$2,494	$2,238	$2,037
NP-Bank	$0	$0	$0	$171	$297	$438	$521	$176	$372	$49	$131	$0	$0
AP	$50	$70	$180	$140	$270	$210	$270	$250	$250	$220	$200	$100	$50
Acc. Exp.	$75	$75	$75	$75	$75	$75	$75	$93	$118	$75	$115	$115	$75
CPLTD	$85	$85	$85	$85	$85	$85	$85	$85	$85	$85	$85	$85	$85
Curr. Liab.	$210	$230	$340	$471	$727	$808	$951	$604	$825	$429	$531	$300	$210
LTD	$1,100	$1,100	$1,100	$1,100	$1,100	$1,100	$1,085	$1,071	$1,057	$1,043	$1,029	$1,015	$1,015
Equity	$741	$680	$619	$607	$645	$718	$784	$817	$864	$888	$934	$923	$812
Total Liab. & Equity	$2,051	$1,920	$2,059	$2,178	$2,472	$2,626	$2,820	$2,492	$2,746	$2,360	$2,494	$2,238	$2,037

PRECOURSE CASE 1

EARL'S CANDY CORP

EARL'S CANDY CORP. (000) INCOME STATEMENT														
	FY 20X0	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	FY 20X1
Sales	$4,800	$150	$150	$300	$450	$600	$650	$550	$600	$500	$600	$300	$300	$5,150
COG	$3,200	$100	$100	$200	$300	$400	$435	$370	$400	$335	$400	$200	$200	$3,440
Gross Profit	$1,600	$50	$50	$100	$150	$200	$215	$180	$200	$165	$200	$100	$100	$1,710
SGA	$1,220	$100	$100	$100	$100	$115	$115	$115	$115	$115	$115	$100	$100	$1,290
Int. Exp.	$80	$5	$5	$6	$6	$6	$8	$8	$7	$6	$7	$5	$5	$74
Deprec.	$72	$6	$6	$6	$6	$6	$6	$6	$6	$6	$6	$6	$6	$72
Pre Tax Profit	$228	($61)	($61)	($12)	$38	$73	$86	$51	$72	$38	$72	($11)	($11)	$274
Taxes	$80	$0	$0	$0	$0	$0	$20	$18	$25	$14	$26	$0	$0	$103
Net Profit	$148	($61)	($61)	($12)	$38	$73	$66	$33	$47	$24	$46	($11)	($11)	$171
Dividend	$100												100	100
Prin. Pay	$85	0	0	0	0	0	$15	$14	$14	$14	$14	$14	0	$85
WC	$335	$190	$225	$219	$263	$342	$399	$426	$465	$481	$519	$500	$395	
AWC	$275	$175	$215	$425	$595	$815	$955	$637	$872	$565	$685	$325	$295	
80% A/R	160	96	192	272	272	480	480	384	432	288	400	192	160	
50% Net Inv (**)	75	65	85	130	165	145	215	125	225	140	150	100	85	
NP/ELG A/R @80%	0.00%	0.00%	0.00%	89.06%	109.19%	91.25%	108.54%	45.83%	86.11%	17.01%	32.75%	0.00%	0.00%	
Days A/R	**15.21**			**36.50**			**47.61**			**24.95**			**14.17**	
Days Inv	**22.81**			**91.25**			**83.22**			**51.85**			**23.34**	
Days A/P	**5.70**			**31.94**			**32.10**			**22.81**			**5.31**	

(**) Net Inventory is Inventory less Accounts Payable

PRECOURSE CASE 1

EARL'S CANDY CORP

Earl's Candy Corp. Projections (000)

		Quarterly Projected Statements				Proj - FYE	Proj - FYE
		9/30/X1	12/31/X1	3/31/X2	6/30/X2	6/30/X2	6/30/X3
	Income Statement						
1	Sales	630	1,780	1,730	1,260	5,400	7,000
2	CGS	420	1,190	1,150	840	3,600	4,670
3	**Gross Profit**	210	590	580	420	1,800	2,330
4	SGA	326	312	334	428	1,400	1,644
5	Depr.	18	18	18	18	72	130
6	Int. Exp.	18	24	16	21	79	96
7	**Pre-Tax Profit**	(152)	236	212	(47)	249	460
8	Taxes	(12)	36	32	(7)	49	127
9	**Net Profit**	(140)	200	180	(40)	200	460
10	Dividends	0	0	0	100	100	200
	Balance Sheet						
11	Cash	100	100	286	258	258	402
12	A/R	250	630	380	250	250	320
13	Inventory	420	730	520	240	240	300
14	**Cur. Assets**	770	1,460	1,186	748	748	1,022
15	Net Fix Assets	1,474	1,456	1,438	1,900	1,900	1,830
16	**Tot. Assets**	2,244	2,916	2,624	2,648	2,648	2,578
17	N/P Bank	113	482	56	0	0	0
18	A/P	150	280	210	60	60	80
19	Acc. Exp.	80	80	120	80	80	90
20	CPLTD	85	85	85	140	140	140
21	**Cur. Liabs.**	428	927	471	280	280	310
22	LTD	994	973	951	1306	1306	1226
23	Owner Sub Debt	150	150	150	150	150	150
24	Equity	672	872	1052	912	912	1172
25	**Total Liab & Eq.**	2244	2922	2624	2648	2648	2858
	Ratios						
26	AWC	$440	$1,000	$570	$350	$350	$450
27	Quick	0.82	0.79	1.41	1.81	1.81	2.33
28	Current	1.80	1.57	2.52	2.67	2.67	3.30
29	D/ETNW	1.73	1.86	1.18	1.49	1.49	1.16
30	Days A/R	36	32	20	18	17	17
31	Days Inv	91	56	41	26	24	23
32	Days A/P	33	21	17	7	6	6
33	Sales Growth	-	-	-	-	4.85%	29.60%
34	GPM	33.3%	33.1%	33.5%	33.3%	33.3%	33.3%
35	NPM	-22.2%	11.2%	10.4%	-3.2%	3.7%	6.6%
36	EBIT/I	(7.43)	10.83	14.25	(1.24)	4.16	5.79
37	(NP+D.E.)/ CPLTD	(5.73)	10.24	9.33	(0.63)	1.94	4.21
38	EBITDA/(Int+CPLTD)	(4.50)	10.20	9.74	(0.20)	1.83	2.91
39	(EBITDA-Divs.) / (Int+CPLTD)	(4.50)	10.20	9.74	(2.68)	1.37	2.06

PRECOURSE CASE 1

EARL'S CANDY CORP

Assumptions

	Quarterly Projected Statements				Proj - FYE	Proj - FYE
	9/30/X1	12/31/X1	3/31/X2	6/30/X2	6/30/X2	6/30/X3
Downpayment	60			90		
Equipment Loan				390		60

- Sales Growth:
  - 20X2 4.85% while equipment installed.
  - 20X3 29.6% Full impact of a new equipment and Supermarket Sales.
- Gross Margin at historic trend.
- Operating Expenses bump up to near 30% in 20X1 as installation occurs, then back down to historic levels in 20X2.
- Minimum cash set at $100 to account for growing sales.
- Days of AR, Inventory and AP follow historic trend for FYE's.
- CapEx matches client request to invest into $600 of new equipment.

PRECOURSE CASE 2

PAYNE EQUIPMENT, LLC

Payne Equipment, LLC. is a regional manufacturer of various commercial tree trimming equipment. Products include: Chain saws, prune saws, pole saws, pole pruners & loppers and stump grinders. Thomas Payne formed the business 7 years ago. He has a background in a related business as the vice president of marketing for a national manufacturer of lawn maintenance equipment. Tom is 43 years old, married and has two children. He owns 75% of the company. The marketing of Payne's products is his primary responsibility.

His cousin Paul Trout owns the other 25% of the company. Paul is 50 years old and has prior management experience in the industry in production and finance. As such, Paul handles the company's accounting and production requirements.

The industry is mature with a handful of large national companies (Grainger, Jameson, Klein, Corona and Silky) who have the lion's share of the market. There are several small manufacturers, like Payne, selling in their geographic markets. The number of manufacturers in this business has consolidated with the pressure by the major hardware retailers offering more competitive products at lower prices. Payne's niche is with service contractors who seek more reliable, long lasting and higher capacity equipment that has helped Payne retains its market share. About 500 small service businesses in the Southeastern states represent the base of Payne's clients. Payne also has modest sales with one the big three national hardware chains.

Although there are no major concentrations, the top 4 customers account for 20% of total sales. The terms of sale call for full payment within 20 days of delivery. The service companies typically pay on time, but the national hardware chain pays about 15 days beyond the stated terms.

The attached spreads of Payne's historical financial statements reflect a consistently profitable business with good margins on a growing sales base leading to improving balance sheet proportions. However, the company remains leveraged with tight liquidity.

Payne Equipment conducts its business out of an office/warehouse type facility in a local industrial park. It leases 75% of the building from a local commercial real estate company. The rent is $480,000 per year on a triple net basis (taxes, insurance and maintenance are tenant's responsibility). Although the lease is about to expire, Payne has an option to either renew the lease for 3 more years with an 8% increase in the rent or purchase the building at its fair market value (estimated at $2,600,000). The building's other tenant has notified the landlord that they will not be renewing their lease.

Thomas and his company, Payne Equipment, have been clients of your bank for the last 7 years. The current term loan of $200,000 represents the balance of an $800,000 7.5 year 80% SBA guaranteed credit. The fixed assets of Payne Equipment secure this loan. In addition, the bank provides Payne with a $1,400,000 revolving credit which is secured by Payne's current assets with advances limited to the lesser of: $1,400,000 or the sum of 80% of eligible accounts receivable plus 33% of net inventory (inventory less accounts payable).

PRECOURSE CASE 2

PAYNE EQUIPMENT, LLC

The advances are controlled and monitored through use of a borrowing base certificate and a lockbox for all collections. All loans have been handled as agreed and in compliance with the loan agreement. Thomas and Margret Payne guarantee them.

The Payne's have an outside net worth of over $1,400,000 consisting of: cash ($120,000); primary residence ($600,000 value after deducting a $300,000 mortgage); retirement accounts ($450,000); a beach house ($240,000 value) and personal assets. Their credit scores exceed 770.

Based upon the continued success of the business, Tom and Paul would like to take advantage of the option to buy the building that they currently lease. The anticipated mortgage payments would be about half of the current rent. Plus, Payne would have nearly one third more space.

In addition, they want to expand their operations to manufacture lawn maintenance equipment. The space vacated by the other tenant creates this opportunity. It is further supported by the interest expressed by existing customers for Payne to supply these products. Tom feels that this is necessary to solidify Payne's client relationships and ward off competition.

Tom and Paul have prepared the attached projections, which they feel are very attainable with the larger facility and equipment. Another $600,000 is needed to purchase the manufacturing equipment for this new line of products. The projections reflect a 15% growth in Year X5 and 10% in Year X6, which are supported by letters of intent from existing clients. These sales will generate a projected net profit of $716,000 prior to dividends (a $256,000 increase) despite extra start-up costs associated with the new line.

Paul has some good contacts in the finance industry and has a letter commitment from SouthEastern Life Insurance Co. for a $2,000,000 first mortgage (20-year term) at 5.5% fixed subject to adequate financial commitments (equipment, permanent and seasonal working capital) for the balance of Payne's identified needs. The two owners would guarantee the proposed mortgage. It does not require escrow of taxes, insurance or maintenance but is subject to an agreement that requires these items to be maintained current along with mortgage payments. SouthEastern has completed its due diligence on the company's financials as well as the appraisal, environmental and property condition evaluations. All of these were favorable.

The owners plan to invest $400,000 from their personal resources into the company to facilitate the purchase of the building and the equipment. Paul has the $100,000 that he will be investing on deposit at the bank. Tom has $100,000 in cash and a contract to sell his beach property for $240,000. Net of $40,000 of expected closing costs, there will be $200,000 of cash available to Paul. However, the company will need this $300,000 equity before Tom closes on the sale of the beach house. The contract is subject to the normal conditions including an appraisal of at least $240,000; a property condition inspection with no material issues and a standard title policy. The buyers have been preapproved for the extension of credit necessary to consummate the sale. The buyer's lender has indicated that the process will take 1 to 2 months.

PRECOURSE CASE 2

PAYNE EQUIPMENT, LLC

Payne Equipment's purchase option on the building expires in 3 weeks. As such, Tom would like the bank to make him a bridge loan for $200,000 for the remaining part of his equity investment. This loan would be repaid upon the closing of the sale on the beach house.

The company also needs to borrow:

- An additional $200,000 to buy the building,
- The maximum amount the bank will lend on the $600,000 for the new equipment that has a class life of asset under the IRS code of 8 years (ADR),
- Continuation of the $1,400,000 revolving credit, and
- Continuation of the existing $200 term loan.

The insurance company requires a commitment from a bank to provide the fixed assets and working capital financing to cover the $600,000 of the building purchase and operating funds for the next year as a condition for the mortgage loan. The lease agreement purchase option expiration means that time is of the essence for all parties. As the account officer for this credit, you are expected to meet the company's needs within the bank's policy parameters of safety and soundness.

Since the total credit to Payne and related entities will exceed $2,000,000, you are directed to prepare a comprehensive loan package to meet Payne's needs in line with the bank's policies for safe, sound and profitable credit. The package should include: an analysis of the credit risks, the extra $200,000 to purchase the building, an appropriate advance on the $600,000 equipment purchase and meeting the working capital finance requirements. Collateral and advance rates; repayment and debt service coverage; and other conditions including covenants to manage the risk are to be included.

	Payne Equipment, LLC.			
	Uses of Cash		Sources of Cash	
1	2,600	Purchase new Building	400	New Equity Investment
				$100 from Paul (cash)
				$100 from Tom (cash)
				$200 bridge loan on Tom's home
			200	New Permanent W/C Loan
			2,000	New L. I. Mortgage Loan
2	600	New Equipment Purchase	450	New Term Loan (75% advance rate)
			150	Cash Down **
	3,200	Total Uses	3,200	Total Sources

**The cash down payment on the equipment is likely to be an advance on the RLOC since there does not appear to be adequate cash on hand to make this payment.

PRECOURSE CASE 2

PAYNE EQUIPMENT, LLC

Payne Financials and Projections (000's)

		Historical					02/X4	Projection	
	FYE	02/X0	02/X1	02/X2	02/X3	02/X4	ProForma	02/X5	02/X6
	Income Statement								
1	Sales	$6,000	$7,100	$8,300	$9,400	$10,800	$0	$12,420	$13,662
1	COGS	$3,300	$3,960	$4,560	$5,230	$6,100	$0	$7,017	$7,719
3	**Gross Profit**	$2,700	$3,140	$3,740	$4,170	$4,700	$0	$5,403	$5,943
4	Op. Exp.	$1,700	$1,720	$2,210	$2,330	$2,640	$0	$3,043	$3,347
5	Lease	$500	$552	$600	$660	$700	$0	$220	$220
6	Dep. Exp.	$100	$100	$100	$100	$100	$0	$300	$300
7	Off. Sals.	$280	$380	$440	$460	$520	$0	$620	$620
8	**Op. Prof.**	$120	$388	$390	$620	$740	$0	$1,220	$1,456
9	Int. Exp.	$100	$130	$120	$100	$80	$0	$168	$140
10	**Pre-Tax Profit**	$20	$258	$270	$520	$660	$0	$1,052	$1,316
11	Inc. Tax	$6	$72	$80	$180	$200	$0	$316	$395
12	**Net Prof.**	$14	$186	$190	$340	$460	$0	$736	$921
13	Dividends	$0	$0	$60	$120	$200	$0	$294	$368
	Balance Sheet								
14	Cash	$40	$50	$50	$50	$50	$50	$58	$209
15	A/R	$420	$480	$560	$700	$780	$780	$885	$973
16	Inventory	$300	$380	$460	$600	$640	$640	$731	$804
17	**Curr. Assets**	$760	$910	$1,070	$1,350	$1,470	$1,470	$1,674	$1,986
18	NFA	$800	$800	$800	$800	$800	$4,000	$3,800	$3,600
19	**TOTAL ASSETS**	$1,560	$1,710	$1,870	$2,150	$2,270	$5,470	$5,474	$5,586
20	N/P Bank	$420	$404	$444	$494	$414	$414	$201	$0
21	A/P	$120	$180	$240	$320	$340	$340	$385	$423
22	Acc. Exp.	$100	$120	$150	$180	$200	$200	$230	$253
23	CPLTD	$100	$100	$100	$100	$100	$300	$300	$300
24	**Curr. Liab.**	$740	$804	$934	$1,094	$1,054	$1,254	$1,116	$976
25	LTD	$500	$400	$300	$200	$100	$2,700	$2,400	$2,100
26	Net Worth	$320	$506	$636	$856	$1,116	$1,516	$1,958	$2,510
27	**TOTAL**	$1,560	$1,710	$1,870	$2,150	$2,270	$5,470	$5,474	$5,586
	Ratios								
28	CapEx	100	100	100	100	100		300	300
29	Sales Grow.		18.3%	16.9%	13.3%	14.9%		15.0%	10.0%
30	GPM	45.0%	44.2%	45.1%	44.4%	43.5%		43.5%	43.5%
31	NPM	0.2%	2.6%	2.3%	3.6%	4.3%		5.9%	6.7%
32	Quick	0.62	0.66	0.65	0.69	0.79	0.66	0.84	1.21
33	C/R	1.03	1.13	1.15	1.23	1.39	1.17	1.50	2.03
34	AWC	$500	$560	$630	$800	$880	$880	$1,001	$1,101
35	A/R Days	25.6	24.7	24.6	27.2	26.4		26.0	26.0
36	Inv Days	33.2	35.0	36.8	41.9	38.3		38.0	38.0
37	A/P Days	13.3	16.6	19.2	22.3	20.3		20.0	20.0
38	D/TNW	3.88	2.38	1.94	1.51	1.03	2.61	1.80	1.23
39	EBIT/I	1.20	2.98	3.25	6.20	9.25		7.26	10.40
40	EBITDA	$220	$488	$490	$720	$840	$0	$1,520	$1,756
41	EBITDA/P+I	1.10	2.12	2.23	3.60	4.67	0.00	3.25	3.99
42	(EBITDA-Divs)/P+I	1.10	2.12	1.95	3.00	3.56	0.00	2.62	3.15

PRECOURSE CASE 2

PAYNE EQUIPMENT, LLC

PAYNE EQUIPMENT LLC (000) - INTERIM DATA

PAYNE EQUIPMENT LLC (000) - INTERIM DATA

		Open Feb X3	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	FYE X4
	Account														
1	Sales		$580	$620	$800	$1,200	$1,240	$1,000	$1,360	$1,400	$780	$660	$600	$560	$10,800
2	NPAT		($16)	($4)	$44	$84	$88	$64	$100	$104	$42	$2	($8)	($40)	$460
3	Dividend													$200	$200
4	Cash	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50
5	A/R	$700	$600	$560	$760	$1,160	$1,200	$1,060	$1,320	$1,360	$1,020	$860	$800	$780	$780
6	Inventory	$600	$680	$660	$1,000	$1,400	$1,400	$1,420	$1,440	$1,200	$980	$820	$700	$640	$640
7	Cur. Asst.	$1,350	$1,330	$1,270	$1,810	$2,610	$2,650	$2,530	$2,810	$2,610	$2,050	$1,730	$1,550	$1,470	$1,470
8	N/P - Bank	$494	$430	$214	$550	$1,186	$1,148	$1,104	$1,204	$1,040	$708	$406	$234	$414	$414
9	A/P	$320	$380	$340	$700	$800	$820	$700	$800	$660	$380	$360	$360	$340	$340
10	Acc. Exp.	$180	$180	$180	$180	$180	$190	$190	$190	$190	$200	$200	$200	$200	$200
11	CPLTD	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100
12	Cur. Liab.	$1,094	$1,090	$834	$1,530	$2,266	$2,258	$2,094	$2,294	$1,990	$1,388	$1,066	$894	$1,054	$1,054
13	W/C	$256	$240	$436	$280	$344	$392	$436	$516	$620	$662	$664	$656	$416	$416
14	Adj. W/C	$800	$720	$700	$880	$1,580	$1,590	$1,590	$1,770	$1,710	$1,420	$1,120	$940	$880	$880
15	Δ in W/C		($80)	($20)	$180	$700	$10	$0	$180	($60)	($290)	($300)	($180)	($60)	$0
16	LTV 80%A/R	88%	90%	48%	90%	128%	120%	130%	114%	96%	87%	59%	37%	66%	66%
17	LTV (80%A/R)+ [33%(Inv.-A/P)]	76%	74%	39%	78%	105%	100%	102%	95%	82%	70%	48%	31%	57%	57%
	20X5														
18	Sales		$650	$670	$910	$1,410	$1,460	$1,120	$1,520	$1,600	$900	$770	$720	$670	$12,400
19	NPAT		$12	$24	$50	$108	$114	$78	$120	$132	$58	$40	$38	$36	$810