

OVER AND OUT STEEL SUPPLY, INC.

As a commercial account officer, you have been challenged with growing the C&I loan portfolio. One of your prospects is Over and Out Steel Supply, Inc. You started calling on Over and Out Steel 5 years ago when they expanded the operations into its current facility. As part of the expansion, Over and Out built and up fitted a new facility, borrowing \$1,000,000 of the \$1,200,000 costs. Additionally, the company purchased equipment for \$350,000 with financing of \$300,000.

The company was formed 10 years ago and is a steel distributor and rebar fabricator, providing material for foundation work primarily in commercial buildings and roadways. Their focus is on small to medium size projects ranging from 10 to 500 tons.

Roger Over and Down N. Out are each 50% owners in Over and Out Steel Supply. Both, along with their wives, jointly and severally guarantee the company debts. Financial statements are attached. Both Roger and Down had over 10 years experience in the industry prior to forming Over and Out. In fact, they had purchasing commitments from several of their former customers before going out on their own. Roger is the President and is in charge of operations. His expertise is in the areas of production and purchasing. Down is Vice President and is in charge of managing projects and business development. Down's expertise is in the areas of estimating and bidding along with sales/marketing. Additional management includes a VP of Sales, VP of Operations and a Plant Manager.

The success of Over and Out is directly correlated to the construction industry. Over the past couple of years, the construction industry has experienced a slowdown, which has been very difficult on the company. Two years ago, sales dipped to its lowest level at just over \$3 million. The company rebounded slightly last year and the prospects for the next two years call for slight sales growth. The company has deferred capital expenditures for almost 3 years. As a result, some of the equipment/machinery/vehicles are worn and in need of replacement. The cost for these replacements is \$200,000. The company has provided historical and projected financial information for your review.

Mr. Over and Mr. Out would like to fund \$180,000 for the new FF&E acquisitions and consolidate this with the remaining \$120,000 from the prior expansion for a total loan of \$300,000. They would like a 5-year term. Additionally, Over and Out would like for you to provide a proposal to refinance the company's facility which has an outstanding balance of approximately \$900,000 and refinance the \$500,000 line of credit.

Your challenge, working with others in your team, is to analyze the request, reach a decision and make a proposal on Friday morning. **At a minimum, your presentation should include the following:**

- 1) Summary of the loan requests
- 2) Recommendation for loan(s) structure
- 3) Financial analysis with an emphasis on the company's cash flow and leverage
- 4) Recommendation for loan covenants
- 5) Listing of the strengths and weaknesses (risks) associated with this financing. Strengths and weaknesses should be both financial and non-financial.

If you choose not to make the loan, you must be prepared to defend your decision in light of the Bank's current focus on small business lending.

Mr. Roger Over
Mrs. Eileen Over

Current Financial Condition

Assets

Cash	68,000
IRA	92,000
Stocks/Investments	
- Fidelity	250,000
- Over and Out Steel Supply	1,000,000
Real Estate	
- Residence	495,000
Personal Assets	
- Automobiles	71,000
- Household Furnishings	125,000
Total Assets	2,101,000

Liabilities

Unsecured Loans	26,000
Automobile Loans	52,000
Home Equity Line	49,000
1 st Mortgage Loan	280,000
Total Liabilities	407,000

Net Worth **1,694,000**

Annual Income

Salary – Roger	70,000	Over and Out Steel Supply
Salary – Eileen	56,000	Bart Law Firm
Distributions	<u>30,000</u>	Over and Out Steel Supply
Total	156,000	

Mr. Down N. Out
Mrs. Luck N. Out

Current Financial Condition

Assets

Cash	29,000
IRA	52,000
Stocks/Investments	
- Fidelity	220,000
- Over and Out Steel Supply	1,000,000
Real Estate	
- Residence	460,000
Personal Assets	
- Automobiles	64,000
- Household Furnishings	100,000
Total Assets	1,925,000

Liabilities

Unsecured Loans	19,000
Automobile Loans	58,000
Home Equity Line	35,000
1 st Mortgage Loan	250,000
Total Liabilities	362,000

Net Worth **1,563,000**

Annual Income

Salary – Down	70,000	Over and Out Steel Supply
Salary – Luck	52,000	Stephens Distributors
Distributions	<u>30,000</u>	Over and Out Steel Supply
Total	152,000	

Over & Out Steel Supply, Inc.

Accountants' Compilation Report

Management is responsible for the accompanying financial statements of Over & Out Steel Supply, Inc., which comprise the statement of assets, liabilities and equity and the related statement of revenues and expenses for the years ended December 31, 2022 through December 31, 2024 in accordance with the tax basis of accounting and for determining that the tax basis of accounting is an acceptable financial reporting framework. We have performed this compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporation income taxes, the shareholders of an S Corporation are taxed on the Company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

Hometown CPA

April 19, 2025

Over & Out Steel Supply, Inc.

BALANCE SHEET

	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2024</u>
ASSETS			
Cash	\$ 60,289	\$ 39,978	\$ 55,326
Accounts Receivable	\$ 430,839	\$ 331,124	\$ 405,792
Inventory	\$ 281,106	\$ 230,786	\$ 256,024
Prepaid Expenses	\$ 19,791	\$ 20,215	\$ 24,876
Total Current Assets	<u>\$ 792,025</u>	<u>\$ 622,103</u>	<u>\$ 742,018</u>
Land	\$ 300,000	\$ 300,000	\$ 300,000
Buildings & Improvements	\$ 908,231	\$ 908,231	\$ 908,231
Machinery & Equipment	\$ 694,752	\$ 694,752	\$ 694,752
Accumulated Depreciation	\$ (344,897)	\$ (419,657)	\$ (494,417)
Total Net Fixed Assets	<u>\$ 1,558,086</u>	<u>\$ 1,483,326</u>	<u>\$ 1,408,566</u>
TOTAL ASSETS	<u>\$ 2,350,111</u>	<u>\$ 2,105,429</u>	<u>\$ 2,150,584</u>
LIABILITIES			
Accounts Payable	\$ 225,214	\$ 207,934	\$ 265,128
Accrued Expenses	\$ 39,729	\$ 60,074	\$ 54,862
Line of Credit	\$ 348,205	\$ 273,198	\$ 300,093
Current Portion Long Term Debt	\$ 82,979	\$ 84,051	\$ 85,171
Total Current Liabilities	<u>\$ 696,127</u>	<u>\$ 625,257</u>	<u>\$ 705,254</u>
Long Term Debt, net of current portion	<u>\$ 1,135,064</u>	<u>\$ 1,051,013</u>	<u>\$ 965,842</u>
TOTAL LIABILITIES	<u>\$ 1,831,191</u>	<u>\$ 1,676,270</u>	<u>\$ 1,671,096</u>
OWNER'S EQUITY			
Common Stock	\$ 1,000	\$ 1,000	\$ 1,000
Additional Paid in Capital	\$ 299,000	\$ 299,000	\$ 299,000
Retained Earnings	\$ 212,781	\$ 218,920	\$ 129,159
Net Income	\$ 66,139	\$ (29,761)	\$ 110,329
Distributions	\$ (60,000)	\$ (60,000)	\$ (60,000)
TOTAL OWNER'S EQUITY	<u>\$ 518,920</u>	<u>\$ 429,159</u>	<u>\$ 479,488</u>
TOTAL LIABILITIES & OWNER'S EQUITY	<u>\$ 2,350,111</u>	<u>\$ 2,105,429</u>	<u>\$ 2,150,584</u>

Over & Out Steel Supply, Inc.

INCOME STATEMENT

	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2024</u>
REVENUES	<u>\$ 3,921,124</u>	<u>\$ 3,069,821</u>	<u>\$ 3,497,251</u>
COST OF GOODS SOLD			
Materials	\$ 1,907,244	\$ 1,447,846	\$ 1,710,768
Labor	\$ 635,297	\$ 497,259	\$ 522,789
Transportation	\$ 412,537	\$ 325,873	\$ 358,255
Other	\$ 116,061	\$ 98,896	\$ 105,294
Total Cost of Goods Sold	<u>\$ 3,071,139</u>	<u>\$ 2,369,874</u>	<u>\$ 2,697,106</u>
Gross Profit	<u>\$ 849,985</u>	<u>\$ 699,947</u>	<u>\$ 800,145</u>
OPERATING EXPENSES			
Salaries & Wages	\$ 221,824	\$ 193,867	\$ 182,314
Officer Compensation	\$ 140,000	\$ 140,000	\$ 140,000
Rent	\$ -	\$ -	\$ -
Repairs & Maintenance	\$ 50,692	\$ 38,724	\$ 36,927
Utilities	\$ 46,921	\$ 42,197	\$ 46,221
Bad Debts	\$ 1,876	\$ 16,197	\$ 3,623
Other Operating Expenses	\$ 173,076	\$ 156,669	\$ 144,122
Depreciation	\$ 74,760	\$ 74,760	\$ 74,760
Total Operating Expenses	<u>\$ 709,149</u>	<u>\$ 662,414</u>	<u>\$ 627,967</u>
Net Operating Profit	<u>\$ 140,836</u>	<u>\$ 37,533</u>	<u>\$ 172,178</u>
OTHER INCOME/(EXPENSES)			
Miscellaneous Income	\$ 5,140	\$ 4,869	\$ 5,243
Interest Expense	\$ (79,837)	\$ (72,163)	\$ (67,092)
Total Other Income/(Expenses)	<u>\$ (74,697)</u>	<u>\$ (67,294)</u>	<u>\$ (61,849)</u>
NET PROFIT	<u>\$ 66,139</u>	<u>\$ (29,761)</u>	<u>\$ 110,329</u>