KATAHDIN CEDAR LOG HOMES

Due Diligence

Four Questions to Ask Your Log Home Manufacturer

Our customers do a lot of research to decide which log home manufacturer they should select to build their dream home. Yet beyond design, price, and quality, many customers neglect a very important topic: the financial stability of the company.

We are pleased to report that Katahdin has a very sound financial foundation—even in these tough times for the housing industry. We've been careful with our investments and kept our overhead low. As a result we're in an excellent position to be able to deliver on the contract you sign with us and back up our 25-year warranty.

We feel it's an important part of customer research to ask about the company's financial status for one of the largest investments many families make. Some consumers rely on services such as Dun & Bradstreet, which can provide some good information. However, since most of the information in a Dun & Bradstreet report is provided by the subject company itself, what other independent resources are available?

We asked our banker, Brian Flewelling, Vice President, Senior Relationship Manager at Key Bank of Maine, what home buyers should be asking about a log home manufacturer's financial status. Here are four questions to ask, which should be requested for the last three years of audited financial statements:

1. **What is the company's debt to net worth ratio?** This figure compares the capital invested by owners versus the capital invested by creditors. The higher the ratio, the greater the risk. Some highly capitalized companies, like auto makers, have had historical ratios between 2.5 and 3.0. Katahdin's debt to net worth ratio is 0.34.
2. **What is the company's total debt to total asset ratio?** This figure measures the percent of assets financed by the owners versus their creditors. Historically a ratio of not more than 0.50 (fifty percent) is considered prudent. A higher ratio indicates a potential problem meeting debt payments. Katahdin's total debt to asset ratio is 0.25.
3. **What is the company's cash flow to current maturity of long-term debt?** This measure indicates how well traditional cash flow (net profit plus depreciation) covers the company's debt principal payments due the next 12 months. The lower the number is, the better. Katahdin currently has no long-term debt. As a result, Katahdin's ratio is zero.
4. **What is the company's current ratio?** This measure is a test of a corporation's liquidity—that is, a corporation's ability to pay its current obligations from current assets. The current ratio is calculated by dividing the total current assets for a given period by the total current liabilities for the same period. Generally, the higher the ratio, the greater the "cushion" between current obligations and a firm's ability to meet them. Katahdin's current ratio is 1.77.

We are happy to provide answers to these four questions to our customers and/or their financial advisors. If a company is unwilling to provide their banker's contact information to acquire this information, it could raise more questions about their ability to complete your home and back up any warranties.

We invite you to contact our banker to confirm these answers about Katahdin Cedar Log Homes. We would not provide anything less to our valued customers. You can contact Brian directly at Brian_V_Flewelling@KeyBank.com. Don't be afraid to ask for this information as part of your due diligence. The right company will gladly provide it.