

Exhibit 1: General information

General Background Information:

FJ Enterprises (*FJE*) is a midsize firm that manufactures heavy equipment.

Basic information for *FJE* for the last five years is as follows (in thousands of dollars):

	2011	2010	2009	2008	2007
Total net sales and revenues	\$32,000	\$26,000	\$23,000	\$28,000	\$24,000
Net income	2,800	1,800	900	2,000	1,800
Total assets	48,000	43,000	41,000	39,000	38,000
Long-term borrowings	16,000	16,000	17,000	14,000	12,000
Free cash flow	1,000	1,100	600	1,200	1,100

FJE's sales have been stable over the last few years, and it is considering options to expand its production capabilities. Each option in the following exhibits would increase production by 25%. The sales division estimates that it would be able to sell the additional units produced.

As a tax adviser to this company, evaluate the following option for *FJE*. *FJE* is one of the firm's largest clients and has been a client for five years.

This exhibit accompanies the May 2013 Campus to Clients column in The Tax Adviser, "Making the Connection Between Tax and Strategic Business Decision-Making."