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Information compiled in 1962 by FDIC Examiner THOMAS E. LINDSEY at Cleveland, Ohio, and made available at Detroit by Department Attorney WILLIAM P. FRENCH, included the following data from records of the Credit Department, Central National Bank of Cleveland, concerning an application dated April 14, 1958 from The Alvin Naiman Corporation to increase to $375,000.00 (from an existing balance of $101,750.00) a loan secured by chattel mortgages on equipment:

"PURPOSE OF LOAN

"The subject has an option to purchase a stone quarry 27 miles directly across Lake Erie from Cleveland in Canada. The purchase price of 180 acres of land plus equipment appraised by the Air Compressor Rental Co. at $228,050 will be $410,000. Of this amount, $165,000 will be paid as a cash downpayment, and the balance will be payable by the ton on rock quarried and shipped.

"This quarry is expected to produce 700,000 tons of stone the first year and at least 1,000,000 the next two years with the possible peak of 1,500,000 tons. The selling price will be at least $1.00 per ton and profits are conservatively estimated at 40¢ per ton. The present operators produced 300,000 tons last year working one eight hour shift six days a week and we are told that the subject contemplates two eight hour shifts six days a week, with greater efficiency in production.

"We understand that the subject now has irrevocable ten year contracts with two users of this type of stone who will take all available stone up to 1,500,000 tons. Herron Testing Laboratories has tested this stone, and it is found to meet specifications for Ohio roads.

"The stone will be shipped to Cleveland by boat and it is believed that these cargo boats can make a one trip turn-around each day.

"We are told that this property has only about one foot of over burden, which compares favorably with another quarry which was under consideration, where the overburden was six feet.

"In addition, the crushing of this volume of stone will produce about 100,000 tons of flux, which is a valuable ingredient for steel making. This, we are told will produce about $100,000 income in addition to the aggregates profit of 40¢ per ton.

"The $275,000 of new money which the company will receive under this loan application will be used as follows:

"Cash payment for quarry	$165,000
Additional equipment	73,000
Working capital	37,000
	$275,000

"In addition to the $37,000 working capital shown above, the purchase will include 50,000 tons of stone which is ready for shipping and will provide $50,000 of additional working capital.

"Mr. Naiman tells us that he intends to purchase the following equipment in addition to that which is now being used:

"Jawcrusher	$33,000
Motors installed in crusher	10,000
2 Secondary crushers	23,000
3 Screens	7,000
	$73,000

"Our loan of $375,000 will be secured by:

"a)	Equipment now owned by Alvin Naiman Corp. which was appraised by Marks Tractor and Equipment Co. on 2-8-56 at $650,900 and which is carried at 12-31-57 at cost of $644,200, depreciated to 60% of cost	$386,500
"b)	Equipment now on premises of quarry to be purchased	228,050
"c)	New Equipement to be purchased	73,000
		$687,550

"**GENERAL COMMENTS**

"Favorable Factors

"1. If estimates of profits which we have been given are accurate, it appears that our loan can easily be repaid from profits. (Contra 1)

"2. Our loan appears to be well secured.

"3. The subject has no problem in obtaining a market for the stone since ten year contracts, for purchase of as much stone as the quarry is expected to produce have already been obtained.

"4. It appears that proper tests have been made to determine the quality of the stone and we understand that it meets requirements for Ohio roads.

"Negative Factors

"1. We are told that this quarry is presently producing 300,000 tons of stone per year. Estimated profits of $120,000 on this production would be just about enough to repay our loan, without any allowance for payment of the balance of the cost of the quarry, except from cash gain on depreciation (Contra 1)

"2. The present operation has suffered due to the steel industry. Current liabilities exceeded current assets at 12-31-57.

"3. The pro-forma balance sheet indicates total unsubordinated debt of $833,000 against adjusted net worth of $556,000 and current assets of only $255,000.

"4. The subject is contributing no new capital for this venture. It is to be done entirely on borrowed funds repayable from projected profits."

Also obtained from the above source was information regarding a revised application dated April 21, 1958, concerning the above proposed increase to $375,000.00 (present balance $101,750.00) of a loan secured by:

"a. all of the equipment of the corporation having a net book value (pro forma) of $916,000:

"b. pledge of $100,000 savings account in the name of Alvin Naiman

"c. Subordination of $200,000 due the parent Janeway Ventures, Inc. and

"d. subordination of $396,000 due Alvin Naiman.

"<u>ADDITIONAL INFORMATION</u>

"In addition to the basic description of the contemplated stone quarry purchase, related in the basic writeup of April 14, 1958, the following has been developed:

"The Niagara Crushed Stone Co. of Port Colborne is presently in business producing 1,500 tons of crushed stone per day on an eight hour shift. Sales are presently limited to local Canadian buyers. Prices for the stone range from $1.35 to $1.45 at the quarry mouth and costs of production are in the neighborhood of 50¢ per ton. The operation is presently profitable.

"Present management consists of five brothers who have paid themselves well out of this operation. They will be replaced by a superintendent, hired by Mr. Naiman, "having 14 years operating experience with a firm at Logansport, Indiana. Mr. Naiman contemplates 16 hour per day operation and increasing output to 3,000 tons per day with present equipment.

"With respect to the company's ability to begin business with sufficient working capital, the cost of the second-hand equipment, which is to be purchased, has been considerably reduced, as follows:

	Cost	Price New
"Crusher - 30 X 42 - conveyor and diesel	$ 15,000	$ 25,000
Conveyor belt	3,000	5,500
Four - 5 X 14' vibrating screens with motors and drives	16,000	24,000
Secondary cone crusher 5½' standard with motor	15,000	37,500
4 Ft. shorthead cone crusher	10,000	35,000
175 Ft. of 30" conveyor	4,000	8,200
	$ 63,000	$135,200

"This was possible because of an advantageous purchase from American Cyanimid Company at Messina, New York, in connection with their hydro-electric plant development.

"The company is now operating with one 30 X 42" crusher, feeder conveyor and diesel, and has a present capacity of about 3,000 tons per day on two shifts - a total of 16 hours. Mr. Naiman is sure productivity can be increased by 25 per cent but, in any event, present equipment can produce 200 tons per hour and they expect productivity with the two crushers to be at least 500 tons per hour. This would increase production to 8,000 tons per 16 hour day. Even allowing for breakdowns, this rate of production should be more than adequate to service the loan.

"With the 50,000 tons of stone on hand, representing $50,000 in working capital, plus the loan of $275,000 in new money over and above the present loan, the total "funds available will be $325,000. Against this, the quarry and plant and extra acreage will cost $165,000, as previously related, and the equipment $63,000, for a total of $228,000. Mr. Naiman will, therefore, have $97,000 of working capital available at the beginning of operations.

"His major expense is for labor, which will not exceed $4,500.00 a week. As a matter of fact it should average about $3,000.00 a week. It would appear, therefore, that he has adequate working capital to begin operations. Payment by contract is 15 days after shipment, and not 15 days prox. as has been suggested. The company purchasing the stone is adequately backed by important concerns in this city and we have been assured that over $200,000 in advances are immediately available to it. There is every reason to believe the company's invoices will be paid as agreed within 15 days.

"The company contemplates a six day operation and conservatively estimates 5,000 tons per day. (Note this is considerably under the 8,000 potential mentioned above). They will be able to send three boat loads of 10,000 tons each to Cleveland each week, or a total of 30,000 tons. As previously related, the selling price is $1.00 a ton right at the property. The company is not concerned with any cost except that of quarrying and crushing. Trucking, shipping, et cetera are the responsibility of the purchaser.

"They are estimating a profit of 40 cents a ton; however, assuming these estimates are wrong by a wide margin, we need only 17 cents a ton to pay the required $120,000 annual payment on an estimated volume of 700,000 tons. On the other hand, at 40 cents a ton, it is required that only 300,000 tons be produced to meet the payments on our loan. Anywhere between these two extremes of cost or level of production would assure payment of our loan.

"With respect to cost of production, Mr. Naiman gave us these figures:

	Per Ton
"Stripping and overburden	$ .06
Drilling and Blasting	.18
Loading and trucking at quarry	.10
Screening and crushing	.14
	$ .48

"Questions have been asked relating to the cost of labor. With regard to the stripping operation, this charge is mainly labor. In the drilling and blasting operation 5 cents is for the fertilizer used as an explosive and the balance may be considered labor - or 13 cents a ton. Loading and trucking can be considered at 50 per cent labor - or 5 cents - and screening and crushing is generously included at approximately 3 cents, mainly for supervision.

"Stone sells in Cleveland for about $3.25 per ton. The purchasing company will buy stone at the quarry mouth for $1.00 per ton. Mr. Naimans costs arelimited strictly to the quarry operation and the 48¢ cost broken down above. The cost of stone laid down in Cleveland is estimated as follows:

"Cost of stone at quarry	$1.00	
Loading into the vessel	.15	
Duty	.25	
Unloading, etc.	.30	
Shipping cost	.60	- .65
Trucking and delivery to site	.40	- .45
Total Cost	$2.70	-2.80

"Thereis no dockage cost in Cleveland since the dock belongs to one of the using firms. There is no real dockage cost in Canada, since the dock is leased by the stone purchasing company at $7,500.00, but is subleased to others for $22,000 a year.

"The purchasing company expects to have a 45¢ margin per ton of stone sold and delivered to the job in the Cleveland area.

"COMMENT

"Mr. Naiman sincerely believes in the feasibility and profit potential of this venture. This is evidenced by his pledge of $100,000 of his personal savings to support this credit. The company is presently in operation and making money. The cost basis on which Mr. Naiman figures his potential profits seems supportable in current experience."

Also included with the above data were balance sheet comments indicating a total adjusted net worth of $556,000.00 for The Alvin Naiman Corporation at December 31, 1957. It was indicated that the existing loan secured by chattel mortgages on equipment was being paid as agreed, and no derogatory information was noted concerning other accounts with Central National Bank in the names of The Alvin Naiman Corporation; its predecessor, The Alvin Naiman Wrecking Company; its parent company, Janeway Ventures, Inc.; ALVIN NAIMAN; ELIOT JANEWAY; and NATE DOLIN.

It is noted that copies of minutes of the Board of Directors of ANC, as obtained by THOMAS E. LINDSEY, indicate that on May 2, 1958, the president and secretary of ANC were authorized to enter into a guarantee agreement with the Central National Bank of Cleveland, to finance the purchase of the capital stock of the stockholders of NCS. The minutes also indicate that on January 2, 1959, ALVIN NAIMAN reported that National Acceptance Corporation would loan $200,000 to pay off a similar amount due Central National Bank of Cleveland, Ohio, which would permit him to obtain possession of pass books in the sum of $100,000 which he had deposited as collateral for the $200,000 loan at the Central National Bank. He would then be willing to loan the corporation all or any part of this sum as funds were needed. ANC was authorized to execute its note to National Acceptance Corporation in the sum of $200,000 to be used to pay off the $200,000 loan at Central National Bank of Cleveland.