Nate has an excellent reputation for honesty and high-quality work. He has never had to advertise, as the work requests seem to be endlessly lined up and waiting. Nate works long hours, yet has managed to earn only a modest living for his wife Jessie and son Brett. In fact, Jessie has been heard to comment out loud to friends and family that Nate is "always busy and always broke." Several years back, Jessie had to take on a part-time cashier position at the local supermarket "just to put groceries on the table." The Mowers inherited Nate's grandparent's old farmhouse and have no mortgage. Nate drives around in his grandfather's old panel truck that he converted into the company work vehicle.

Nate is from the old school. He is a down-to-earth, hard-working country boy who loves to hunt and fish in his spare time. As Nate puts it, "I love my job and don't want to charge people too much for my work." Nate charges $25 per hour for his time (while onsite only) and provides all parts at cost. Nate believes that "it would be stealing" to mark up the price of parts that he buys from a nearby wholesale distribution center. Nate mails out bills when he gets around to it, usually late at night if he's not too tired.

Brett Mower has learned a lot about the trade from his father. He often went along with Nate on jobs when he was young, and worked for his father throughout high school, mostly during the summers. Brett has returned home from a tour of duty in the military and is thinking about becoming a partner in the family business. He has several serious concerns, however, and is not sure which way to turn.

Although Brett would never say so out loud, he acknowledges that his father does seem to be always busy and always broke. He wonders why his mother is forced to work to put groceries on the table and help pay the bills. The family has no mortgage and no car payments. His folks have never taken a vacation, rarely go out, and still don't own a personal computer.

Brett recalls many incidents of receiving angry letters from creditors and parts suppliers over past-due bills. There have also been a few bounced and delayed paychecks over the years. Nate is currently on "COD—only" status with his suppliers who also expect some payment toward outstanding payables.

Brett wonders whether the business could ever support two families. He is planning on marrying his childhood sweetheart within the next year and has dreams of a house, family, and career of his own.

And yet, business is booming. The phone never stops ringing, especially during the long winter months, and Nate has barely scratched the surface of the new home installation market. The Minneapolis area is booming with new home construction. There have been reports in the local papers that several jobs have been delayed because of a shortage of contractors, including plumbing and heating. The short- and long-term market outlook is excellent.

Brett has been anguishing over his next move. Nate is thrilled at the prospect of forming a partnership with his son. Brett wants to start a new life and career in his hometown but has serious concerns about the condition and future of his father's business. Jessie suggested that perhaps someone in the know should take a look at their books and point them in the right direction.

Nate's most recent IRS returns reveal the following:

Schedule C—Profit and Loss Statement—2007
Nathan Mower, Residential Plumber

Sales		$221,250
CGS		135,000
GM		$ 86,250
Expenses:		$ 49,500
Outside		
Labor	$39,500	
Truck	2,000	
Supplies	4,000	
Insurance	4,000	
Taxable income		$ 36,750