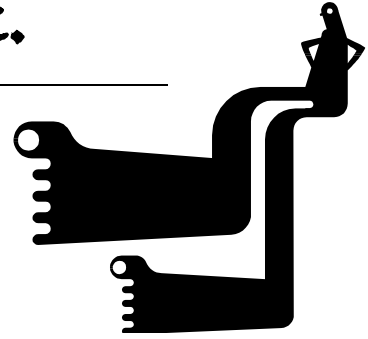


Stomping Grounds Coffee Inc.



BALANCE SHEET *(dollars in thousands)*

ASSETS

Current Assets

Cash and Cash Equivalents	5,000
Accounts Receivable	4,000
Inventory	7,000
Other Current Assets	1,000

Total Current Assets **17,000**

Property, Plant, and Equip.	22,500
Other Assets	500

Total Assets **40,000**

LIABILITIES

Current Liabilities

Accounts Payable	4,000
Bank Line of Credit	1,000
Commercial Paper	2,000

Total Current Liabilities **7,000**

Mortgage Bonds	10,000
Debenture Bonds	1,500

Total Liabilities **18,500**

STOCKHOLDERS' EQUITY

Preferred Stock	1,500
Common Stock	14,000
Retained Earnings	6,000

Total Stockholders' Equity **21,500**

*Stomping Grounds
Coffee owns and
operates a small
chain of gourmet
coffee shops.*

*The company has
been quite
successful over the
past five years,
growing from one
store in Cincinnati
to 20 stores
throughout the
Midwest.*

Questions for Discussion

1. Stomping Grounds has financed its growth in a variety of ways since it started five years ago. Based on the information shown, what are the two largest sources of capital have they used?

2. For each of the two sources you listed above, provide one advantage and one disadvantage.

OVER

3. Stomping Grounds has used three types of short-term debt financing. What are they and briefly describe each one.

4. Stomping Grounds has sold both Common Stock and Preferred Stock to investors. What is the difference between the two?

5. What is one advantage of Preferred Stock to Stomping Grounds (the issuer)? What is one advantage of Preferred Stock to the investors?

6. If the Preferred Stock was actually "Convertible Preferred Stock", what would that mean?

7. Stomping Grounds has sold two types of long-term debt: Mortgage Bonds and Debenture Bonds. What is the main difference between the two?

8. What payment does Stomping Grounds have to make to the holders of the Mortgage Bonds and Debentures in exchange for the ability to use the money? What payment might they have to make to the investors in their Common Stock and Preferred Stock? Which one is tax deductible to the company?

9. Stomping Grounds has used Retained Earnings to finance part of its growth over the past five years. What does this mean?

10. We do not have an income statement available, but what can you infer from the balance sheet about whether the company is profitable? Explain. (*hint: your answer to #9 should help you out*)