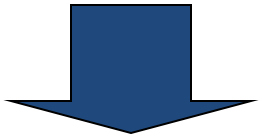
MBA in Food & Agribusiness

Financial Management

Long Term Liabilities

What Is a Bond Issue?

A bond issue is the total value of bonds issued at one time



For example, a $1,000,000 bond issue could consist of one thousand, $1,000 bonds

Prices of Bonds

Stated in terms of a percentage of **face value**

- Bonds selling at 100
  - Sell at face or par value
- Bonds selling above 100
  - Sell at a premium
- Bonds selling below 100
  - Sell at a discount

Bond rate higher than Market rate

Bond rate below the Market rate

Bonds Issued at a Discount

Katakis Corporation issues $100,000 of **9 percent**, 5-year bonds at 96.149 on January 1, 20x4, when the market rate is **10 percent**.

Record the issuance of the bonds at a discount:

20x4			
Jan. 1	Cash	96,149	
	Unamortized Bond Discount	3,851	
	Bonds Payable		100,000
	Sold $100,000 of 9%, 5-year bonds at 96.149		

Interest and Amortization of a Bond Discount: Effective Interest Method

TABLE 3. Interest and Amortization of a Bond Discount: Effective Interest Method

Semiannual Interest Period	A Carrying Value at Beginning of Period	B Semiannual Interest Expense at 10% to Be Recorded* (5% × A)	C Semiannual Interest Payment to Bondholders (4½% × $100,000)	D Amortization of Bond Discount (B − C)	E Unamortized Bond Discount at End of Period (E − D)	F Carrying Value at End of Period (A + D)
0					$3,851	$ 96,149
1	$96,149	$4,807	$4,500	$307	3,544	96,456
2	96,456	4,823	4,500	323	3,221	96,779
3	96,779	4,839	4,500	339	2,882	97,118
4	97,118	4,856	4,500	356	2,526	97,474
5	97,474	4,874	4,500	374	2,152	97,848
6	97,848	4,892	4,500	392	1,760	98,240
7	98,240	4,912	4,500	412	1,348	98,652
8	98,652	4,933	4,500	433	915	99,085
9	99,085	4,954	4,500	454	461	99,539
10	99,539	4,961†	4,500	461	—	100,000

*Rounded to the nearest dollar.

†Last period's interest expense equals $4,961 ($4,500 + $461); it does not equal $4,977 ($99,539 × .05) because of the cumulative effect of rounding.

Bonds Issued at a Premium

Katakis Corporation issues $100,000 of **9 percent**, 5-year bonds for $104,100 on January 1, 20x4, when the market rate is **8 percent**.

Record the issuance of the bonds at a premium:

20x4			
Jan. 1	Cash	104,100	
	Unamortized Bond Premium		4,100
	Bonds Payable		100,000
	Sold $100,000 of 9%, 5-year bonds at 104.1 ($100,000 x 1.041)		

Interest and Amortization of a Bond Premium: Effective Interest Method

TABLE 4. Interest and Amortization of a Bond Premium: Effective Interest Method

Semiannual Interest Period	A Carrying Value at Beginning of Period	B Semiannual Interest Expense at 8% to Be Recorded* (4% × A)	C Semiannual Interest Payment to Bondholders (4½% × $100,000)	D Amortization of Bond Premium (C − B)	E Unamortized Bond Premium at End of Period (E − D)	F Carrying Value at End of Period (A − D)
0					$4,100	$104,100
1	$104,100	$4,164	$4,500	$336	3,764	103,764
2	103,764	4,151	4,500	349	3,415	103,415
3	103,415	4,137	4,500	363	3,052	103,052
4	103,052	4,122	4,500	378	2,674	102,674
5	102,674	4,107	4,500	393	2,281	102,281
6	102,281	4,091	4,500	409	1,872	101,872
7	101,872	4,075	4,500	425	1,447	101,447
8	101,447	4,058	4,500	442	1,005	101,005
9	101,005	4,040	4,500	460	545	100,545
10	100,545	3,955†	4,500	545	—	100,000

*Rounded to the nearest dollar.

†Last period's interest expense equals $3,955 ($4,500 − $545); it does not equal $4,022 ($100,545 × .04) because of the cumulative effect of rounding.

Callable Bonds Illustrated

Katakis Corporation can call or retire at 105 the $100,000 of bonds it issued at a premium (104.1). It decides to do so on July 1, 20x7. The entry for the required interest payment and amortization of the premium has already been made.

Record the retirement of the bonds:

20x7			
July 1	Bonds Payable	100,000	
	Unamortized Bond Premium	1,447	
	Loss on Retirement of Bonds	3,553	
	Cash		105,000
	Retired 9% bonds at 105		

The loss occurs because the call price of the bonds is greater than the carrying value

Convertible Bonds Illustrated

Katakis Corporation issued $100,000 of convertible bonds on January 1, 20x4, that can be converted to 40 shares of common stock for each $1,000 bond. The bondholders decide to convert all the bonds to $8 par value common stock on July 1, 20x7.

Record the bond conversion:

20x7			
July 1	Bonds Payable	100,000	
	Unamortized Bond Premium	1,447	
	Common Stock		32,000
	Additional Paid-in Capital		69,447

Converted 9% bonds payable into $8 par value common stock at a rate of 40 shares for each $1,000 bond

40 x $100,000 / $1,000 = 4,000 shares x $8 = $32,000

No loss or gain is recorded because the bond liability and the associated unamortized discount or premium are written off the books.

Bond Basics—Straight-line Method, Retirement, and Conversion

P 2. Abel Corporation has $10,000,000 of 10.5 percent, 20-year bonds dated June 1, 20x7, with interest payment dates of May 31 and November 30. After ten years the bonds are callable at 104, and each $1,000 bond is convertible into 25 shares of $20 par value common stock. The company's fiscal year ends on December 31. It uses the straight-line method to amortize bond premiums or discounts.

Required

1. Assume the bonds are issued at 103 on June 1, 20x7.
   a. How much cash is received?
   b. How much is Bonds Payable?
   c. What is the difference between **a** and **b** called and how much is it?
   d. With regard to the bond interest payment on November 30, 20x7:
      (1) How much cash is paid in interest?
      (2) How much is the amortization?
      (3) How much is interest expense?
2. Assume the bonds are issued at 97 on June 1, 20x7.
   a. How much cash is received?
   b. How much is Bonds Payable?
   c. What is the difference between **a** and **b** called and how much is it?
   d. With regard to the bond interest payment on November 30, 20x7:
      (1) How much cash is paid in interest?
      (2) How much is the amortization?
      (3) How much is interest expense?
3. Assume the issue price in requirement **1** and that the bonds are called and retired ten years later.
   a. How much cash will have to be paid to retire the bonds?
   b. Is there a gain or loss on the retirement, and if so, how much is it?
4. Assume the issue price in requirement **2** and that the bonds are converted to common stock ten years later.
   a. Is there a gain or loss on the conversion, and if so, how much is it?
   b. How many shares of common stock are issued in exchange for the bonds?
   c. In dollar amounts, how does this transaction affect the total liabilities and the total stockholders' equity of the company? In your answer, show the effects on four accounts.

5. Assume that after ten years, market interest rates have dropped significantly and that the price on the company's common stock has risen significantly. Also assume that management wants to improve its credit rating by reducing its debt to equity ratio and that it needs what cash it has for expansion. Which approach would management prefer—the approach and result in requirement 3 or 4? Explain your answer. What would be a disadvantage of the approach you chose?

Answer

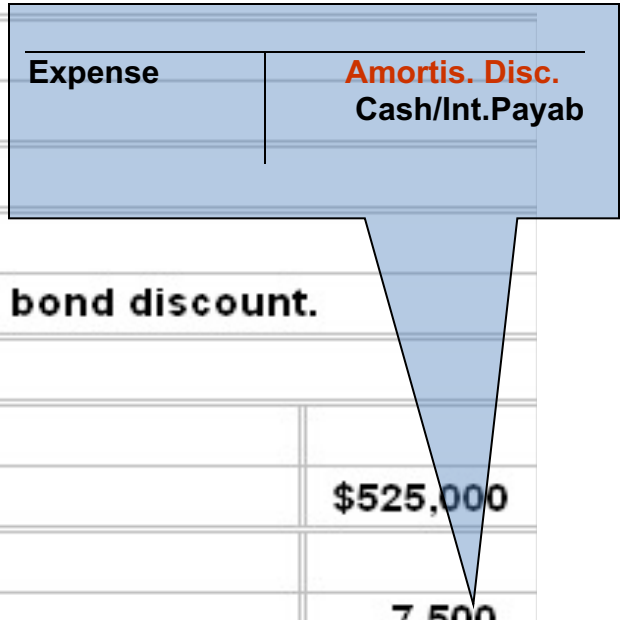
1.	Bonds issued at 103 on June 1, 20x7											
a.	Calculation of cash received:											
	$10,000,000	x	1.03	=	$10,300,000							
b.	Amount of Bonds Payable:				$10,000,000							
c.	Difference between *a* and *b* explained:											
	The difference o		$300,000		between *a* and *b* is the bond premium.							
d.	Interest components											
	(1)	Cash paid in interest:										
		$10,000,000	x	0.105	x	6	/	12	=			$525,000
	(2)	Amortization computed:										
		$300,000	÷	(	20	years	x	2	) =			7,500
	(3)	Interest expense computed:										
		Interest expense	=	$525,000	–	$7,500	=					$517,500

Expense	
Amortis.Prem.	Cash/Int.Payab.

Answer (cont.)

2. Bonds issued at 97 on June 1, 20x7

a.	Calculation of cash received:										
	$10,000,000	x	0.97	=	$ 9,700,000						
b.	Amount of Bonds Payable:				$10,000,000						
c.	Difference between *a* and *b* explained:										
	The difference o		$300,000		between *a* and *b* is the bond discount.						
d.	Interest components										
	(1)	Cash paid in interest:									
		$10,000,000	x	0.105	x	6	/	12	=		$525,000
	(2)	Amortization computed:									
		$300,000	÷	(20 years		x	2	) =			7,500
	(3)	Interest expense computed:									
		Interest expense	=	$525,000	+	$7,500	=				$532,500



Answer (cont.)

3.	Bonds called and retired ten years later							
a.	Cash to retire bonds:							
	Call amount	$10,000,000	x	1.04	=			$10,400,000
b.	Gain or loss calculated:							
	Carrying value:							
	$10,000,000	+	(	$300,000	–	$150,000	)	= 10,150,000
	Since the call takes place after 10 years of a 20-year period, 50							
	percent or $150,000 of the $300,000 premium has been amor-							
	tized. A loss exists because the call amount exceeds the carry-							
	ing value of the bonds. Loss amount =							$ 250,000

Ten years later: half of the premium has been amortised

Answer (cont.)

4. Bonds converted to common stock ten years later

a. No gain or loss occurs in a bond conversion because the issued stock is recorded at the carrying value of the bonds that are converted.

b. Numbers of shares of common stock computed:

10,000	, $1,000	bonds	×	25	shares	=	250,000	shares

c. Effects of liabilities and stockholders' equity shown:

Bonds payable and its accompanying unamortized discount will be reduced in the liabilities. Common stock and additional paid-in capital will be increased in stockholders' equity.

Decrease in liabilities				
Bonds payable				$10,000,000
Unamortized bond discount	$300,000	×	0.5	(150,000)
Bond carrying value				$ 9,850,000

Since the call takes places after 10 years of a 20-year period, 50 percent or $150,000 of the $300,000 discount remains to be amortized.

Increase in stockholders' equity					
Common stock	250,000	shares	×	$20	$ 5,000,000
Additional paid-in capital					4,850,000
Total common stock issue amount					$ 9,850,000

Difference as paid in capital

Answer (cont.)

5. User Insight: Strategy of calling bonds when stock price has risen
The company can improve its debt to equity ratio without using cash by calling the bonds. Since the price of the company's stock has risen, the bondholders will be better off electing to convert the bonds into common stock than selling them back to the company at the call price. The bondholders then have the option of keeping or selling the stock in the general market.

Interest and Amortization of a Bond Discount: Effective Interest Method

TABLE 3. Interest and Amortization of a Bond Discount: Effective Interest Method

Semiannual Interest Period	A Carrying Value at Beginning of Period	B Semiannual Interest Expense at 10% to Be Recorded* (5% × A)	C Semiannual Interest Payment to Bondholders (4½% × $100,000)	D Amortization of Bond Discount (B − C)	E Unamortized Bond Discount at End of Period (E − D)	F Carrying Value at End of Period (A + D)
0					$3,851	$ 96,149
1	$96,149	$4,807	$4,500	$307	3,544	96,456
2	96,456	4,823	4,500	323	3,221	96,779
3	96,779	4,839	4,500	339	2,882	97,118
4	97,118	4,856	4,500	356	2,526	97,474
5	97,474	4,874	4,500	374	2,152	97,848
6	97,848	4,892	4,500	392	1,760	98,240
7	98,240	4,912	4,500	412	1,348	98,652
8	98,652	4,933	4,500	433	915	99,085
9	99,085	4,954	4,500	454	461	99,539
10	99,539	4,961†	4,500	461	—	100,000

*Rounded to the nearest dollar.

†Last period's interest expense equals $4,961 ($4,500 + $461); it does not equal $4,977 ($99,539 × .05) because of the cumulative effect of rounding.

Bond Amortization – effective Interest Method

Column A Carrying value = Face value – Unamortized bond discount

Column B – Use market interest rate ($96,149 x .10 x 6/12 = $4,807)

Column C – Use face interest rate on bond ($100,00 x .09 x 6/12 = $4,500)

	A	B	C	D	E	F
Semiannual Interest Period	**Carrying Value at Beginning of Period**	**Semiannual Interest Expense at 10% to be Recorded (5% x A)**	**Semiannual Interest to be Paid to Bondholders (4.5% x $100,000)**	**Amortization of Bond Discount (B – C)**	**Unamortized Bond Discount at End of Period (E – D)**	**Carrying Value at End of Period (A + D)**
0					$3,851	$96,149
1	$96,149	$4,807	$4,500			

Bond Amortization – effective Interest Method

Discount amortized = Effective interest expense – Actual interest payment to bondholders ($4,807 – $4,500 = $307)

Carrying value at beg. of period + Amort. during the period ($96,149 + $307 = $96,456)

	A	B	C	D	E	F
Semiannual Interest Period	Carrying Value at Beginning of Period	Semiannual Interest Expense at 10% to be Recorded (5% x A)	Semiannual Interest to be Paid to Bondholders (4.5% x $100,000)	Amortization of Bond Discount (B – C)	Unamortized Bond Discount at End of Period (E – D)	Carrying Value at End of Period (A + D)
0					$3,851	$96,149
1	$96,149	$4,807	$4,500	$307	3,544	96,456

Bond discount at beg. of period – Current pd amort. ($3,851 – $307 = $3,544)

Bond Amortization – effective Interest Method

Record first semiannual interest payment and amortization of bond discount:

20x4			
July 1	Bond Interest Expense	4,807	
	Unamortized Bond Discount		307
	Cash (or Interest Payable)		4,500
	Paid (or accrued) semiannual interest to bondholders and amortized discount on 9%, 5-year bonds		

Effective Interest Method

P 3. Julio Corporation has $8,000,000 of 9.5 percent, 25-year bonds dated March 1, 20x7, with interest payable on February 28 and August 31. The company's fiscal year end is February 28. It uses the effective interest method to amortize bond premiums or discounts. (Round amounts to the nearest dollar.)

Required

1. Assume the bonds are issued at 102.5 on March 1, 20x7, to yield an effective interest rate of 9.2 percent. Prepare entries in journal form for March 1, 20x7, August 31, 20x7, and February 28, 20x8.
2. Assume the bonds are issued at 97.5 on March 1, 2007, to yield an effective interest rate of 9.8 percent. Prepare entries in journal form for March 1, 20x7, August 31, 20x7, and February 28, 20x8.
3. **User Insight:** Explain the role that market interest rates play in causing a premium in requirement **1** and a discount in requirement **2.**

Answer - Premium Amortisation

		A	B	C	D	E	F
/a	Semiannual Interest period	CV bond b/fw	Semiannual interest exp'n	Semiannual interest paymnt	amortisation	unamortised bond premium	CV bond c/fw
			CVx9.2%x6/12	8,000,000x9.5%x6/12	(C-B)	(E-D)	(A-D)
	March 1 2007					200,000	8,200,000
1	Aug 31 2007	8,200,000	377,200	380,000	2,800	197,200	8,197,200
2	Febr 28 2008	8,197,200	377,071	380,000	2,929	194,271	8,194,271
3		8,194,271	376,936	380,001	3,065	191,207	8,191,207
4		8,191,207	376,796	380,002	3,206	188,000	8,188,000
5		8,188,000	376,648	380,003	3,355	184,645	8,184,645
6		8,184,645	376,494	380,004	3,510	181,135	8,181,135
7		8,181,135	376,332	380,005	3,673	177,462	8,177,462
8		8,177,462	376,163	380,006	3,843	173,619	8,173,619
9		8,173,619	375,986	380,007	4,021	169,599	8,169,599
10		8,169,599	375,802	380,008	4,206	165,392	8,165,392

Answer – Premium Amortisation

8,000,000 x 1.025

1. Entries prepared in journal form for bonds issued at more than face value

20x7				
Mar.	1	Cash	8,200,000	
		Unamortized Bond Premium		200,000
		Bonds Payable		8,000,000
		Sold 9.5%, 25-year bonds at 102.5		
Aug.	31	Bond Interest Expense	377,200	
		Unamortized Bond Premium	2,800	
		Cash		380,000
		Paid semiannual interest and amortized		
		the premium on 9.5%, 25-year bonds		

20x8				
Feb.	28	Bond Interest Expense	377,071	
		Unamortized Bond Premium	2,929	
		Bond Interest Payable		380,000
		Paid semiannual interest and amortized		
		the premium on 9.5%, 25-year bonds		

Answer – Discount Amortisation

/a	Semiannual Interest period	A CV bond b/fw	B Semiannual interest exp'n CVx9.8%x6/12	C Semiannual interest paymnt 8,000,000x9.5%x6/12	D amortisation (B – C)	E unamortised bond discount (E-D)	F CV bond c/fw (A+D)
0	March 1 2007					200,000	7,800,000
1	Aug 31 2007	7,800,000	382,200	380,000	2,200	197,800	7,802,200
2	Febr 28 2008	7,802,200	382,308	380,000	2,308	195,492	7,804,508
3		7,804,508	382,421	380,001	2,420	193,072	7,806,928
4		7,806,928	382,539	380,002	2,537	190,535	7,809,465
5		7,809,465	382,664	380,003	2,661	187,874	7,812,126
6		7,812,126	382,794	380,004	2,790	185,084	7,814,916
7		7,814,916	382,931	380,005	2,926	182,158	7,817,842
8		7,817,842	383,074	380,006	3,068	179,090	7,820,910
9		7,820,910	383,225	380,007	3,218	175,872	7,824,128
10		7,824,128	383,382	380,008	3,374	172,498	7,827,502

Answer – Discount Amortisation

8,000,000 x 0.975

2.	Entries prepared in journal form for bonds issued at less than face value			
20x7				
Mar.	1	Cash	7,800,000	
		Unamortized Bond Discount	200,000	
		Bonds Payable		8,000,000
		Sold 9.5%, 25-year bonds at 97.5		
Aug.	31	Bond Interest Expense	382,200	
		Unamortized Bond Discount		2,200
		Cash		380,000
		Paid semiannual interest and amortized		
		the discount on 9.5%, 25-year bonds		

20x8				
Feb.	28	Bond Interest Expense	382,308	
		Unamortized Bond Discount		2,308
		Cash		380,000
		Paid semiannual interest and amortized		
		the discount on 9.5%, 25-year bonds		

3.	User Insight: Role of market interest rates
	Market interest rates play a role in creating the premium and discount in the previous example. When market rates are above the face interest rate, a discount exists. When market rates are below the face interest rate, a premium exists.

Bonds Issued at a Discount and a Premium—Effective Interest Method

P 4. Waxman Corporation issued bonds twice during 20x7. A summary of the transactions involving the bonds follows.

20x7		
Jan.	1	Issued $6,000,000 of 9.9 percent, ten-year bonds dated January 1, 20x7, with interest payable on June 30 and December 31. The bonds were sold at 102.6, resulting in an effective interest rate of 9.4 percent.
Mar.	1	Issued $4,000,000 of 9.2 percent, ten-year bonds dated March 1, 20x7, with interest payable March 1 and September 1. The bonds were sold at 98.2, resulting in an effective interest rate of 9.5 percent.
June	30	Paid semiannual interest on the January 1 issue and amortized the premium, using the effective interest method.
Sept.	1	Paid semiannual interest on the March 1 issue and amortized the discount, using the effective interest method.
Dec.	31	Paid semiannual interest on the January 1 issue and amortized the premium, using the effective interest method.
	31	Made an end-of-year adjusting entry to accrue interest on the March 1 issue and to amortize two-thirds of the discount applicable to the second interest period.
20x8		
Mar.	1	Paid semiannual interest on the March 1 issue and amortized the remainder of the discount applicable to the second interest period.

Required

1. Prepare entries in journal form to record the bond transactions. (Round amounts to the nearest dollar.)
2. Describe the effect on profitability and liquidity by answering the following questions.

a. What is the total interest expense in 20x7 for each of the bond issues?
b. What is the total cash paid in 20x7 for each of the bond issues?
c. What differences, if any, do you observe and how do you explain them?

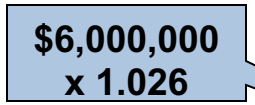
Answer – Premium Amortisation with Effective Interest

		A	B	C	D	E	F
a/a	Semiannual Interest Period	CV bond b/fw	Semiannual Interest Expense	Semiannual Interest Payment	Amortisation	Unamortised Bond Premium	CV bond c/fw
			CVx9,4%x1/2	6.000.000x9,9%x1/2	C-B	E - D	A - D
						156.000	6.156.000
1	Jun.30	6.156.000	289.332	297.000	7.668	148.332	6.148.332
2	Dec.31	6.148.332	288.972	297.000	8.028	140.304	6.140.304
3		6.140.304	288.594	297.000	8.406	131.898	6.131.898
4		6.131.898	288.199	297.000	8.801	123.097	6.123.097
5		6.123.097	287.786	297.000	9.214	113.883	6.113.883
6		6.113.883	287.352	297.000	9.648	104.235	6.104.235
7		6.104.235	286.899	297.000	10.101	94.134	6.094.134
8		6.094.134	286.424	297.000	10.576	83.558	6.083.558
9		6.083.558	285.927	297.000	11.073	72.486	6.072.486
10		6.072.486	285.407	297.000	11.593	60.893	6.060.893

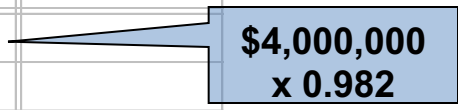
Answer – Discount Amortisation with Effective Interest

		A	B	C	D	E	F
a/a	Semiannual Interest Period	CV bond b/fw	Semiannual Interest Expense	Semiannual Interest Payment	Amortisation	Unamortised Bond Discount	CV bond c/fw
			CVx9,5%x1/2	4.000.000x9,2%x1/2	B - C	E - D	A + D
						$72.000	$3.928.000
1	Sep.1	$3.928.000	$186.580	$184.000	$2.580	$69.420	$3.930.580
2	March.1	$3.930.580	$186.703	$184.000	$2.703	$66.717	$3.933.283
3		$3.933.283	$186.831	$184.000	$2.831	$63.887	$3.936.113
4		$3.936.113	$186.965	$184.000	$2.965	$60.921	$3.939.079
5		$3.939.079	$187.106	$184.000	$3.106	$57.815	$3.942.185
6		$3.942.185	$187.254	$184.000	$3.254	$54.561	$3.945.439
7		$3.945.439	$187.408	$184.000	$3.408	$51.153	$3.948.847
8		$3.948.847	$187.570	$184.000	$3.570	$47.583	$3.952.417
9		$3.952.417	$187.740	$184.000	$3.740	$43.843	$3.956.157
10		$3.956.157	$187.917	$184.000	$3.917	$39.925	$3.960.075

Answer (cont.)



20x7				
Jan.	1	Cash	6.156.000	
		Unamortized Bond Premium		156.000
		Bonds Payable		6.000.000
		Sold 9.9%, 10-year bonds at 102.6		
Mar.	1	Cash	3.928.000	
		Unamortized Bond Discount	72.000	
		Bonds Payable		4.000.000
		Sold 9.2%, 10-year bonds at 98.2		



Answer (cont.)

June	30	Bond Interest Expense			289.332	
		Unamortized Bond Premium			7.668	
			Cash			297.000
				Paid semiannual interest on 9.9%, 10-year		
				bonds and amortized the premium		

Sept.	1	Bond Interest Expense			186.580	
			Unamortized Bond Discount			2.580
			Cash			184.000
				Paid semiannual interest on 9.2%, 10-year		
				bonds and amortized the discount		

Answer (cont.)

20x7				
Dec.	31	Bond Interest Expense	288.972	
		Unamortized Bond Premium	8.028	
		Cash		297.000
		Paid semiannual interest on 9.9%, 10-year		
		bonds and amortized the premium		

	31	Bond Interest Expense	124.468	
		Unamortized Bond Discount		1.801
		Interest Payable		122.667
		To record accrual of 4 months' interest		
		expense and amortization of the discount		
		on 9.2%, 10-year bonds		

Slide 28

4/6 months of interest expense (Sep.1 to Dec.31) of the Mar. 1 issue)

Amortisation (4/6 of the discount applicable for the period – Sept.1 to Dec.31)

4/6 months of interest payable on the face value of the Mar. 1 issue (Sept.1 to Dec.31)

Answer (cont.)

20x8				
Mar.	1	Bond Interest Expense	62.234	
		Interest Payable	122.667	
		Unamortized Bond Discount		901
		Cash		184.000
		Paid semiannual interest on 9.2%, 10-year		
		bonds and amortized the discount for the		
		remainder of the interest period		

Accrued interest from the previous period is paid now

2/6 months of interest expense (Dec.31 to Mar.1)

Amortisation for 2 months (Dec.31 to Mar.1)

See slide 29

Answer (cont.)

a.	Bond interest expense in 20x7:		$889.352	
	June	30		$289.332
	Sept.	1		186.580
	Dec.	31		288.972
	Dec.	31		124.468
	Total			$889.352
b.	Total cash paid for 20x7 bond issues:		$778.000	
	Cash paid for interest:			
	June	30		$297.000
	Sept.	1		184.000
	Dec.	31		297.000
	Total			$778.000

Slides: 31, 32

Slides: 30, 31, 32