

INTRO	SOURCES	COMP COSTS	ADJ/FLOTATION	WACC	ADJ/RISK
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Overview of Coleman Technologies Inc.

- Firm calculating cost of capital for major expansion program.
 - Tax rate = 40%.
 - 15-year, 12% coupon, semiannual payment noncallable bonds sell for \$1,153.72. New bonds will be privately placed with no flotation cost.
 - 10%, \$100 par value, quarterly dividend, perpetual preferred stock sells for \$111.10.
 - Common stock sells for \$50. $D_0 = \$4.19$ and $g = 5\%$.
 - $b = 1.2$; $r_{RF} = 7\%$; $RP_M = 6\%$.
 - Bond-Yield Risk Premium = 4%.
 - Target capital structure: 30% debt, 10% preferred, 60% common equity.