

Chapter Assignments:

Required: See *Convertible Securities Assignment* (5 points)

Due: Tue/Thu May 1st; Online: May 3rd

Chapter Sections:

Bond Indentures (pages 589 to 592)

 Bond-to-Stock Conversion Provisions

 Graphical Analysis of Convertible Bond Prices

Preferred Stock (pages 598)

Chapter Terms:

preferred stocks (a.k.a. hybrid securities, fixed-income stocks)

fixed dividend

par value

equity financing

dividend yield (nominal *versus* current) = annual dividend income / current market price

preferred stock pricing = dividend income / prevailing interest rates

conversion feature

adjustable-rate preferred (a.k.a. floating-rate preferred, “floaters”)

senior preferred (a.k.a. preference stock, prior preferred) *versus* junior preferred

cumulative preferred *versus* non-cumulative preferred

callable preferred *versus* non-callable preferred

participating preferred

convertible securities (a.k.a. convertibles, deferred equity)

convertible bonds

convertible preferred stocks

“equity kicker”

forced conversion

conversion privileges

conversion period

conversion ratio = bond par value / conversion price

conversion price = bond par value / conversion ratio

conversion value = price per share of stock * conversion ratio

conversion premium = market price of convertible security - conversion value

conversion equivalent (a.k.a. conversion parity)