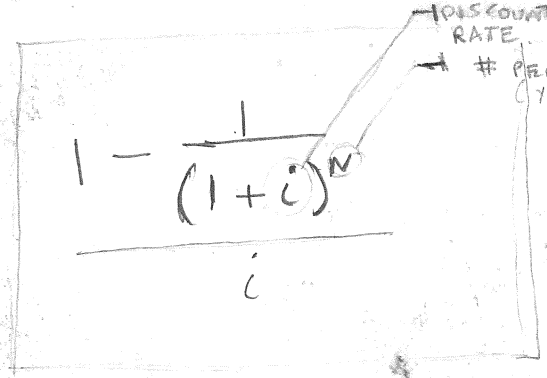

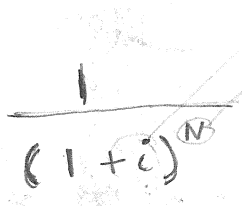

BREAK EVEN • PREMIUM POINTS/BN PRICE
YIELD ADVTG • ADVANTAGE

PV ANNUITY FACTOR COUPONS + PV PAR (FACE) BOND ≈ MARKET PRICE BOND

(A) **CONVERSION RATIO**: # OF SHARES ONE PAR VALUE BOND CONVERTS INTO.
$1000 PAR NEC ⇒ 44 COMMON SHARES

(B) **CONVERSION VALUE**: COMMON STOCK PRICE * CONVERSION RATIO.

(C) **STRAIGHT VALUE**: DISCOUNTED CASH FLOWS OF CONVERTIBLE BOND IGNORING EMBEDDED CONVERSION OPTIONS.

(D) **MARKET CONVERSION PRICE**: IMPLICIT PRICE PER SHARE OF UNDERLYING COMMON STOCK GIVEN PURCHASE PRICE OF CONVERTIBLE BOND.

CONVERSION PREMIUM → PREMIUM PRICE OVER COMMON STOCK PRICE TYPICALLY

CONVERTIBLE BOND PRICE / CONVERSION RATIO

(E) **PARITY PRICE**: COMMON STOCK PRICE * CONVERSION RATIO

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▲ ZERO PAYOUT PRICE

"BUSTED CONVERTIBLE": JUNK STOCK ASSOCIATED WITH A CONVERTIBLE BOND

CONVERSION VALUE OF BOND IS LESS THAN 50% OF PRICE OF CONVERTIBLE BOND

CONVERSION VALUE: COMMON STOCK PRICE * CONVERSION RATIO

(F) **PREMIUM POINTS**: BOND PRICE − PARITY PRICE

(G) **PERCENT PREMIUM**: (BOND PRICE − PARITY PRICE)/PARITY PRICE * 100

(H) **ADVANTAGE**: DIFFERENCE IN CURRENT YIELD IN CONVERT BOND AND DIVIDEND YIELD IN STOCK