Response to coments on dq1 js and dq2 mbw7

DQ1 I agree with you that convertible bonds can have a diluting effect in the value of the common stocks of an enterprise. This scenario would be true if the market got flooded with convertible bonds that were turn back into stocks all at once at the same time. When convertible bonds are issued in small quantities the diluting effect is insignificant or nonexistent. A convertible bond ratio exists to determine how many shares each bondholder will receive for each bond certificate (Investopedia, 2011). I also liked your comment in regards to the benefits of convertible bonds. As you mentioned a company can wipe off the balance sheet a portion of its debt by converting the bonds. The bondholder also benefits in case of a conversion because the investor benefits from all the coupons payments that were received and from the equivalent value in stocks which can be converted into cash by selling them in the open market. DQ2 I agree with you that convertible bonds are a win-win proposition. The bondholder benefits when the bonds are converted into common stocks because the investor would be trading in a principal bond balance which was not liquid for an asset that is extremely liquid due to the fact that common stocks can be sold in the open market instantly. I once owned some common stock of Wal-Mart. When I needed some money I called my broker and he sold my common stocks the same day I placed the sale order. Common stocks are a liquid asset. The cash in the form of coupon payments that the bondholder received represents an added benefit for the bondholder. The company that issues convertible bonds benefits from the flexibility that convertible bonds provide. Convertible bonds are great investments options that provide the investor with the best of both the equity and debt market (Little, 2011). References Investopedia. com (2011). Convertible Bonds: An Introduction. Retrieved May

18, 2011 from http://www. investopedia. com/articles/01/052301. asp Little, K. (2011). Convertible Bonds: A Good Investment? Retrieved May 18, 2011 from http://stocks. about. com/od/bonds/a/Convert122104. htm