

✎ 8.3.INSERT THE WORDS (change the word form if necessary):

bond, principal, to issue, maturity, a certificate, a premium, incentive, par value, to exempt, debt instrument

1. Bonds are called debentures and ... as well.
2. At the time of purchase, the characteristics of the bond will be stated in ...
3. ... may or may not be the price you pay for the bond.
4. Depending on when the bond is purchased, you may pay more or less than ...
5. Often, bonds are sold below par when they ...; this is being sold at a "discount."
6. Selling bonds at a discount creates an added ... for people to buy the bonds, because at ... they will be getting back more than the initial investment.
7. At times, bonds will be sold at ..., which means that they are sold at a price above par and income is generated from interest.
8. Selling ... is often more attractive to companies than getting a loan from a bank.
9. Many municipal bonds ... from state and local taxes in the area they are issued.

✎ 8.4 INSERT THE PREPOSITIONS WHERE NECESSARY

Many corporate bonds are convertible bonds. These bonds can be exchanged ... some specified amount ... common or preferred stock ... the issuing company. ... the time ... issue, the terms ... conversion will be outlined, including the times, prices, and conditions ... which it can occur. Most convertible bonds are also callable. This means, ... effect, that the company can force bondholders to convert their bonds ... stock (called "forced conversion").

Convertibility affects the performance ... the bond ... certain ways. First and foremost, convertible bonds tend to have lower interest rates than non-convertibles because they also accrue value as the price ... the underlying stock rises. Therefore, convertible bonds offer some ... the benefits ... both stocks and bonds. Convertibles earn interest even when the stock is trading ... or sideways, but when the stock prices rises, the value ... the convertible increases. Convertibles, therefore, can offer protection ... a decline ... stock price. Because they are sold ...

a premium ... the price ... the stock, convertibles should be expected to earn that premium back ... the first three or four years ... purchase. ... some cases, convertibles may be callable, ... which point the yield will cease.