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# Debt and Equity Characteristics of Mandatorily Redeemable Preferred Stock

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## Abstract

**Abstract.** This study examines whether mandatorily redeemable preferred stock (MRPS) is priced more like debt or equity by (1) investigating its debt and equity characteristics and (2) specifying conditions under which one characteristic would dominate the other. Based on a sample of 113 nonconvertible MRPS issued during 1970 to 1990, our results are consistent with the view that MRPS has both debt and equity characteristics. The debt (equity) feature is more pronounced among nonutility (utility) issues. Within the utility group, we find high (low) rated MRPS issues to be more debt (equity) like. Our results appear to support current MRPS disclosure rules.



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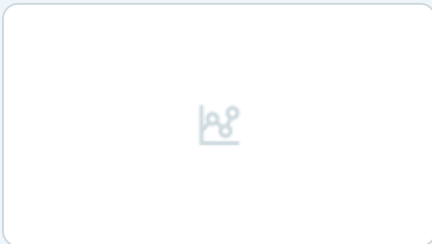
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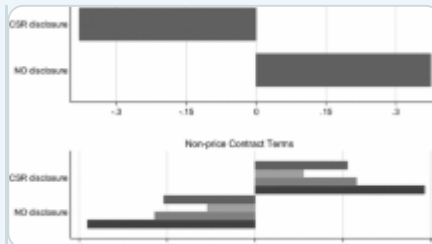
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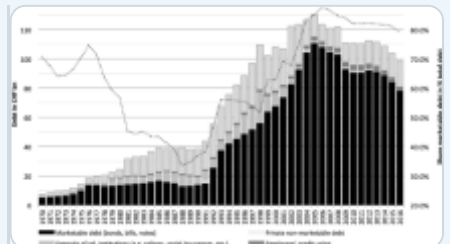
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