

CDx3 Newsletter

Respectable Returns At CD-Like Risk

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May 2007

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April was a very interesting month for CDx3 Investors. Not only did they see more solid returns from the CDx3 Income Engine (see the Last Month's CDx3 Investor Results section below), but they had an opportunity to perform what **Preferred Stock Investing** refers to as an "upgrade."

Upgrade opportunities do not occur very often, but, as explained in the CDx3 Company Spotlight section below, it's great when they do.

There are two exciting developments this month that I wanted to share with you. First, if you are a member of an investment group or club, there are now FREE educational materials regarding investing in preferred stocks available to you and your group. If you're tired of reviewing the same old reports at every meeting, why not learn about something new and different? The materials are FREE and only take a few minutes to review.

Secondly, I am slashing the retail price on CDx3 Special Reports to \$4.95 each. New, very exciting CDx3 products will be announced in the coming weeks and pricing adjustments of existing CDx3 products had to be made. Check out the CDx3 Special Announcement section for details regarding the new investment group materials and the reduced retail prices of CDx3 Special Reports.

And for you bond owners, did you know that for two dividend periods during which you own a typical bond, your dividend income is less than the amount advertised with the bond? This month's CDx3 Question Of The Month describes the difference between how dividends on bonds and CDx3 Preferred Stocks are calculated - financially speaking, the difference is substantial and one that you should know about.

▶ Last Month's CDx3 Investor Results

The quarterly Target Sell Date for the following CDx3 Preferred Stocks arrived last month. Both US Bancorp and Hospitality Properties are featured in this month's CDx3 Company Spotlight below. Let **Preferred Stock Investing** teach you how to get these kind of results at "CD-like" risk:

CDx3 Preferred Stock Name	Target Sell Date ¹	Target Sell Price ¹	Actual Sell Price	Days Held	Effective Annual Return ²	CD Rate (APY) ³	CDx3 Factor
US Bankcorp, Series I (6.5%)-> upgrade to HPT-C (7.0%) at \$24.75	April 05, 2007	\$25.41	\$25.64	363	7.74%	4.7%	1.6x
Bank of America, Series C	April 26, 2007	\$26.31	\$26.48	273	13.09%	4.5%	2.9x

Note 1: As determined several months in advance by the CDx3 Income Engine investment method described in **Preferred Stock Investing**.
 Note 2: What is the formula for calculating the effective annual rate of return for a CDx3 Preferred Stock? See **Free Offer** below.
 Note 3: Closest maturity to Days Held; \$10,000 CD. Multi-institution average annual percentage yield at IPO date. Source: bankrate.com

▶ Special Announcement

There are TWO special announcements this month - (1) the introduction of a new line of educational materials for investment group members and (2) new, reduced pricing on the CDx3 Special Report Series.

#1: Free INVESTMENT GROUP MATERIALS

I've been involved with investment groups where the monthly meetings were conducted in drop-dead serious tones, with lots of black and white PowerPoint presentations, held in a rented conference room; and others that were more akin to a college frat house party, the focus squarely on the barbecue.

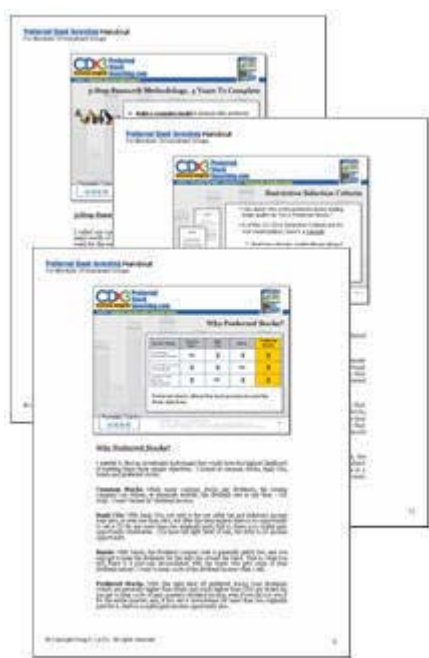
In both cases, no one looked forward to the eye-watering boredom induced by reviewing the Morningstar (or similar) stock summary sheets. I always found myself sitting there, hoping that the next person to speak would have something new and different - if only for a little variety or a change of pace.

But, no. Meeting after meeting, here they'd come around the table - a big stack of Morningstar sheets. The next time you go through this, look at the expression on the face of each person as the stack is handed to them. See anyone with a gleeful look of anticipation on their face, reaching anxiously for the stack, impatient to get their copy? Me either. Not once.

Why not learn something about investing in preferred stocks at your next investment group meeting? Preferred stocks are low risk, produce a great return (14.5% annual average, 2001-2006), are as easy as any other stock to buy and sell

and cost about \$25 per share.

I have created, and have made available to you and your investment group for FREE, the following educational materials:



Preferred Stock Investing Handout: an 18-page "handout-ready" document in Portable Document Format (PDF) that can be conveniently printed on a personal printer (Windows or Mac) and used as a handout to your group. My written narrative summarizes each page. Both color and black and white (grayscale) versions are available.

Preferred Stock Investing Presentation: a slide show in PowerPoint Show format (PPS) that you access using your web browser (you do not need to have PowerPoint on your computer). You can view the Preferred Stock Investing slide show with an active Internet connection or download and show it without an Internet connection (Windows or Mac).

Preferred Stock Investing With Doug: includes all of the above materials, plus I will personally join your investment group meeting via speakerphone (free, but conditions apply).

To receive details and download instructions for these materials, send an email request to:

InvestmentGroupMaterials@PreferredStockInvesting.com.

You will receive an auto-reply email message with current download instructions. Everyone in your investment group will thank you.

#2: CDx3 Special Report Price Reduction - \$4.95



Price Slasher: ~~\$9.95~~

I am announcing the reduction in the retail price of all CDx3 Special Reports to **\$4.95** each (some are even FREE, conditions apply)!

Why am I reducing the price of the CDx3 Special Reports?

Additional CDx3 products are coming your way, and I have to make room in the price list! That makes you the big winner, starting right now!

In the table below, hold your mouse over the title to see a brief description of each CDx3 Special Report. Click on the "See Sample" link if you would like to view three sample pages (PDF). To purchase a CDx3 Special Report, just click on

the title you're interested in. Or, if you'd like to take me up on one of the free special offers, click on the word FREE.

(NOTE: If your email system does not allow you to click on the links in the below table, click on the "View As WebPage" link at the [top](#) of this CDx3 Newsletter. The View As feature is only available to subscribers; it is not available to those viewing this CDx3 Newsletter via the Preferred Stock Investing Google Group).

CDx3 Special Report	New Pricing (Effective May 1, 2007)
Calculating Your Rate Of Return* See Sample	FREE to CDx3 Newsletter readers (\$4.95 without)
Trading Over-The-Counter See Sample	FREE with CDx3 Notification Service Subscription (\$4.95 without)
Prospectus For The Rest Of Us See Sample	FREE with eBook purchase, expires May 31, 2007 (\$4.95 without)
Dividend Accounting See Sample	\$4.95
Who Gets The Money See Sample	\$4.95
Automatic Outlook eMail Sort See Sample	\$4.95

* Calculating Your Rate Of Return is FREE to CDx3 Newsletter readers. See FREE Special Offer section below.

CDx3 Company Spotlight

Who are these companies that issue CDx3 Preferred Stocks?



I closed [last month's CDx3 Newsletter](#) by telling you that I was going to teach you something new this month.

This month, I am going to teach you a technique that

[Preferred Stock Investing](#) refers to as "upgrading."

If you had checked the market price of these two CDx3 Preferred Stocks on Friday, April 6 you would have seen the following*:

CDx3 Preferred Stock	Annual Dividend Rate	Action	Price On Friday, April 6*
USB-I	6.5%	Sell	\$25.64 per share
HPT-C	7.0%	Buy	\$24.75 per share

Have you ever wanted to trade in a low-interest bank CD for one that pays a higher rate, only without any of the

* Trades would have occurred at these prices on Thursday, April 5 due to Friday holiday.

penalties? That's what upgrading lets CDx3 Investors do with CDx3 Preferred Stocks - and they have money left over when they're done!

In last month's CDx3 Newsletter, I asked you to look at the market price of two CDx3 Preferred Stocks on Friday, April 6.

Specifically, if you were following the description of upgrading provided in Chapter 8 of **Preferred Stock Investing**, you would have sold one CDx3 Preferred Stock that pays a 6.5% annual dividend and, with the proceeds, purchased another CDx3 Preferred Stock that pays a 7.0% annual dividend.

You would have had 89 cents *left over* for every share that you owned, and you would have known the exact date to do so - in advance.

Sell: The CDx3 Preferred Stock that CDx3 Investors were upgrading **from** was one issued by USBancorp that pays a 6.5% annual dividend rate (trading symbol: USB-I). As a CDx3 Investor, you would have originally purchased USB-I for about \$25.00 per share.

Buy: The CDx3 Preferred Stock that CDx3 Investors were upgrading **to** was issued by Hospitality Properties (trading symbol: HPT-C) and pays an annual dividend rate of 7.0% - 1/2 percent higher than USB-I.

EXAMPLE: As a CDx3 Investor, you would have purchased USB-I in April 2006 for about \$25.00 per share. Let's say you purchased 100 shares. So, your investment is \$2,500 in USB-I, which pays a 6.5% annual dividend or \$162.50 in annual dividend income to you.

By upgrading USB-I to HPT-C, you would have sold USB-I for \$25.64 per share. Since you owned 100 shares of USB-I, your proceeds from this sale would have been \$2,564. Then you would have turned around and used these proceeds to purchase 100 shares of HPT-C on the same day for \$24.75 per share - a cost of \$2,475. At 7.0%, HPT-C is going to pay you \$175.00 in annual dividends (\$12.50 more than USB-I was paying you).

RESULTS: You've just upgraded USB-I to HPT-C. Your CDx3 Portfolio is now paying you annual dividends at 1/2 percent higher than before, and you have \$89 left over in your pocket (the \$2,564 you made when you sold USB-I, minus the \$2,475 it cost you to purchase HPT-C).

That's how upgrading works. Sell the old, lower-paying one and buy a new, higher-paying one. And have money left over when you're done!

And, as I have now demonstrated by telling you that this was going to happen in [last month's CDx3 Newsletter](#), **Preferred Stock Investing** teaches you when to look for it - weeks in advance.

Congratulations to the CDx3 Investors who owned USB-I and performed this upgrade!

▶ CDx3 Question Of The Month

Question:

From PerryS: The Question of the Month in the [March 2007 CDx3 Newsletter](#) had a table that compared the dividend and capital gain income aspects of CDx3 Preferred Stocks to bank CDs and common stocks. But what about bonds? **How are the dividends I receive on bonds different from those that I receive on CDx3 Preferred Stocks?**

Answer:

The most obvious difference between the dividends paid to you on bonds versus those paid to you on CDx3 Preferred Stocks, is that the dividend rate paid to you on CDx3 Preferred Stocks is usually higher, depending on the type of bond.

But first, let me explain what a bond is. Bonds are an IOU that you can purchase from either the government or from a private company. When you purchase a corporate bond (usually for \$1,000), you are loaning money to the issuing company. In return, the issuer promises to pay you a dividend (like interest on a bank CD), at a specified percentage rate. The schedule of these bond dividend payments varies, but are usually paid every six months.

With all stocks and bonds that pay a dividend, including CDx3 Preferred Stocks, the issuing company is able to determine who the owners are (who to send the dividend cash to), but it still takes a bit of processing by a variety of organizations to get your periodic dividend payments to you. There is a magic date, called the Ex-Dividend Date, that is used as the cut-off date. Whoever owns a company's CDx3 Preferred Stock or bond on the Ex-Dividend Date each dividend period is the person who is going to receive the dividend payment for that period.

HOW BOND DIVIDENDS WORK: For dividends from bonds, however, you may or may not get to keep all of the dividend money that is sent to you by the issuing company. The best way to explain this is with an example. Let's say I own a bond, and this bond pays its dividends every six months - on June 30 and again on December 31. And let's say that after owning this bond for two months (January and February), I agree to sell it to you. So, as of March 1, you own the bond.

On June 30, the issuing company pays the 6-month dividend to you. However, before the money is actually posted to your brokerage cash account, your broker and my broker get together and perform a "post-sale reconciliation." One-third of the dividend is transferred from your account to my account, since I had owned the bond for one-third of the 6-month dividend period. You will see the remaining two-thirds show up in your account.

In other words, with bonds, you only get to keep the dividend income for the portion of the dividend period for which you were the owner. This is true for both the dividend period during which you purchase the bond and for the dividend period during which you sell the bond.

“With bonds, you do not get the entire dividend for these dividend periods; you get less...”

So, for your first period of ownership and your last period of ownership, you will end up with a partial dividend. With bonds, you do not get the entire dividend for these dividend periods; you get less, depending on how many days during these dividend periods you actually owned the bond.

HOW CDx3 PREFERRED STOCK DIVIDENDS WORK: CDx3 Preferred Stocks cost about \$25 per share and pay dividends every three months (quarterly). When you receive the quarterly dividend payment for a CDx3 Preferred Stock, you get to keep it. All of it. No one cares about how many days during the dividend period (quarter) you owned it, versus how many days someone else owned it. With CDx3 Preferred Stocks, there is no post-sale reconciliation. You get to keep 100% of your dividend cash, whether you owned the CDx3 Preferred Stock for the entire dividend-quarter or just for a few days (which, as you may suspect, creates an incredible opportunity for those in the know - CDx3 Investors).

“With CDx3 Preferred Stocks, you receive the entire quarter's dividend income, regardless of how many days you owned the preferred stock throughout the quarter.”

It is this fact that makes the market price of a CDx3 Preferred Stock rise as the end of the dividend-quarter approaches (by a predictable amount that is usually about equal to the amount of the upcoming dividend, of course). This is what **Preferred Stock Investing** refers to as the Rule of Buyer/Seller Behavior and is an integral force that the CDx3 Income Engine takes full advantage of for CDx3 Investors.

So, with bonds, you only receive dividend income for the

number of days that you own the bond; with CDx3 Preferred Stocks, if you own the preferred stock on the quarter's Ex-Dividend Date, you receive the entire quarter's dividend income, regardless of how many days you owned the preferred stock throughout the quarter. And you get to keep all of it.

And that's how the dividends that you receive on CDx3 Preferred Stocks differs from those you receive on bonds.

Thanks to PerryS for the great question. You will receive a complementary copy of the CDx3 Special Report *Dividend Accounting*.

If you have a question regarding the CDx3 Income Engine, just send an email message to FAQ@PreferredStockInvesting.com or visit the Preferred Stock Investing [Google](#) Group (<http://groups.google.com/group/preferred-stock-investing>), join the group (using an anonymous nick name) and post your question there for others to see.

▶ FREE Special Offer

As a recipient of this monthly CDx3 Newsletter, you are entitled to a FREE copy of the CDx3 Special Report titled "Calculating Your Rate Of Return."

This CDx3 Special Report shows you how to correctly calculate your effective annual rate of return on this type of investment, complete with the Microsoft Excel cell functions - **FREE**.

To download your free copy, just click on the following email address (or just send an email message to): CDx3MonthlyResults@PreferredStockInvesting.com. No need to type anything in the body of the message, just click the Send button. You will receive an auto-reply email message with download instructions for your free CDx3 Special Report.



To see the entire library of useful and educational CDx3 Special Reports, including three sample pages from each one, [click here](#).

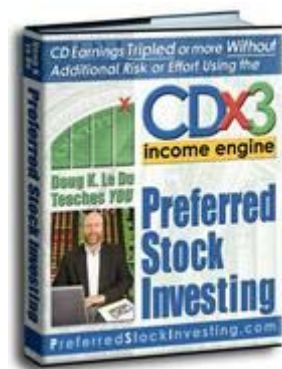
▶ Next Month's Sneak Peak

June's CDx3 Newsletter is going to announce new CDx3 products that many of you have been asking for.

They're coming together nicely. We're on schedule and working very hard to have these new products and related materials available to share with you when you receive the June CDx3 Newsletter.

The PreferredStockInvesting.com website is getting a complete upgrade and make-over as well. It's all very exciting and I am anxious to share it all with you as soon as we're ready to go.

Remember, I'm not a stock broker; I'm not trying to sell preferred stocks to you; I'm not a financial advisor; and I don't sell investment advice. I'm an investment researcher with a data analysis and statistics background who has developed a simple way to earn a respectable return at "CD-like" risk. And I've written it down in **Preferred Stock Investing**. I'm hopeful that you find these monthly CDx3 Newsletters interesting, and will consider learning more by purchasing my book, **Preferred Stock Investing**.



Please take a look at www.PreferredStockInvesting.com. And don't forget about my **FREE SPECIAL OFFER**.

Know someone who might be interested in simple, low-risk investing for non-investment experts? Have them send an email message to CDx3Newsletter@PreferredStockInvesting.com and they will automatically begin receiving this monthly CDx3 Newsletter next month (plus a CDx3 Special Report) - all FREE. Then they can make up their own mind.

Many Happy Returns,
Doug K. Le Du

P.S.: If you do not want to receive news regarding **Preferred Stock Investing**, just send an email message to OptOut@PreferredStockInvesting.com and you will be automatically removed from my address list. Best wishes to you.

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