

## **WHO GETS THE MONEY**

### **Five Key Dates That Determine Who Is Entitled To Dividends**

To understand what dividend income you are entitled to for the quarter during which you sell your CDx3 Preferred Stock, it is important to understand how the quarterly Ex-Dividend Date is derived and used.

The quarterly Ex-Dividend Date of a CDx3 Preferred Stock is used to determine whether or not you will receive that quarter's dividend payment from the issuing company. But, oddly enough, the issuing company does not determine the Ex-Dividend Date. Consequently, as described in *Preferred Stock Investing*, the Ex-Dividend Date is a very important date for CDx3 Investors.

The purpose of this CDx3 Special Report is to teach CDx3 Investors:

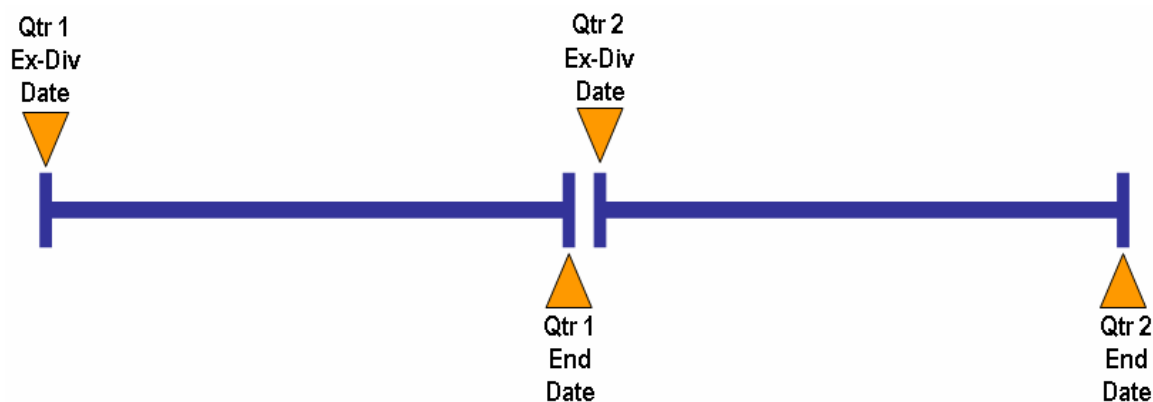
1. The definition of a “dividend quarter”;
2. The five dates that determine when dividend payments are made;
3. How to review the Prospectus of a CDx3 Preferred Stock in order to calculate the Ex-Dividend Date; and
4. How to calculate the “Ex-Dividend Window” during which CDx3 Investors should avoid buying CDx3 Preferred Stocks.

This CDx3 Special Report concludes by using an example of a real CDx3 Preferred Stock to illustrate how CDx3 Investors can determine “who gets the money” during their last quarter of ownership of a CDx3 Preferred Stock.

#### ***The Dividend Quarter Defined***

The quarterly Ex-Dividend Date marks the start of each “dividend quarter” as described and used throughout *Preferred Stock Investing*. The day prior to the next Ex-Dividend Date marks the end of the dividend quarter; this is the day you look to sell your CDx3 Preferred Stocks.

The illustration below shows two dividend quarters, each beginning on the Ex-Dividend Date for the quarter.



The Ex-Dividend Date is at the heart of the Rule of Buyer/Seller Behavior – the force that tends to push up the market price of a CDx3 Preferred Stock as the end of the dividend quarter approaches. In *Preferred Stock Investing* I point out that, because of the Rule of Buyer/Seller Behavior, the market price of a CDx3 Preferred Stock will tend to rise *by the amount of the quarterly dividend* that the CDx3 Preferred Stock pays.

On their web site at <http://www.sec.gov/answers/dividen.htm> the U.S. Securities and Exchange Commission (SEC) puts it very simply:

“With a significant dividend, the price of a stock may move up by the dollar amount of the dividend as the ex-dividend date approaches and then fall by that amount after the ex-dividend date.”

This is because of the dividend payment rules that govern how companies make dividend payments on CDx3 Preferred Stocks. Remember, whoever owns a CDx3 Preferred Stock at the opening of trading on the Ex-Dividend Date gets that quarter’s dividend payment.

Here’s how the SEC explains it:

“If you purchase a stock on its ex-dividend date or after, you will not receive the next dividend payment. Instead, the seller gets the dividend. If you purchase before the ex-dividend date, you get the dividend”

Sounds simple enough. And it is; but there is another level of detail that neither the SEC nor *Preferred Stock Investing* go into that may interest CDx3 Investors.

### ***Dates, Dates And More Dates***

There are actually five dates every quarter that are used to, ultimately, generate your CDx3 Preferred Stock dividend payment:

1. Declaration Date (determined by the issuing company);
2. Ex-Dividend Date (set by the stock exchange each quarter);
3. Record Date (set by the issuing company each quarter per Prospectus);
4. Payment Date (designated in the Prospectus); and
5. Distribution Date (designated in the Prospectus).

The Prospectus of a CDx3 Preferred Stock will have a statement to the effect that the issuing company's Board of Directors will set the Record Date (discussed below) each quarter. When the issuing company's Board does so, they publicly declare what the Record Date for that quarter is going to be. It is this declaration that gets the ball rolling for generating your dividend payment for that quarter. The day that this public declaration is made is called the "Declaration Date".

The "Record Date" is the date that determines who is going to receive the dividend payment for that quarter. You must be on the issuing company's books on the Record Date as the owner of their CDx3 Preferred Stock in order to be considered a "shareholder of record".

However, because trades can take a day or so to be fully confirmed by all parties and actually settled, the financial services industry has agreed that they will actually use a date a couple of days prior to the Record Date to determine who is going to receive the upcoming dividend for that quarter. This, of course, is the Ex-Dividend Date.

