

EXHIBIT 8

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

**BERNARD L. MADOFF
INVESTMENT SECURITIES
LLC,**

Debtor,

**IRVING H. PICARD, Trustee for
the Liquidation of Bernard L.
Madoff Investment Securities LLC,**

Plaintiff,

v.

SAUL B. KATZ, et al.,

Defendants.

Adv. Pro. No. 08-01789 (BRL)

SIPA LIQUIDATION

**(Substantively Consolidated)
Adv. Pro. No. 10-5287 (BRL)**

11-CV-03605 (JSR) (HBP)

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Part II of III

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EXHIBIT

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CHAPTER
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**CONVERTIBLE SECURITIES
AND THEIR INVESTMENT
CHARACTERISTICS**

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Convertible securities are fixed income securities that permit the holder the right to exchange that security for the common stock of the issuing corporation under prespecified conditions. The terms at which the debt security can be exchanged for the issuer's common stock are set forth in the security's indenture. The option to convert is solely at the discretion of the debt holder and will only be exercised if the holder finds such an exchange desirable. Mandatory convertible securities are an exception; conversion to equity is required.

Convertible securities typically contain other embedded options. The most common is an option providing the issuer the right to call the issue at its discretion in accordance with the terms set forth in the indenture. Many convertible securities also contain "put" provisions, which enable the holder to redeem the bond prior to maturity. Because of the multiple embedded options in a convertible security, the valuation of these securities is not a simple task. Valuation methods for convertible securities have advanced significantly in recent years with the development of option pricing theory for both equity options and interest-rate options and with the tremendous advances in computer technology. Even so, the valuation of convertible securities remains very complex.

In this chapter the fundamental characteristics of convertible securities, the convertible universe, risk and return characteristics, and the basic principles of how convertibles can be valued are described.

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