MARCH 1980

MORATORIUM ENDS

FRED D. ARDITTI AND KOSE JOHN
Spanning the State Space with Options

RICHARD J. RENDELEMAN, JR., AND BRIAN J. BARTTER
The Pricing of Options on Debt Securities

R. W. WHITE AND P. A. LUSZTIG
The Price Effects of Rights Offerings

ROBERT A. HAUGEN AND DEAN W. WICHERN
The Term of a Risk-Free Security

WAYNE Y. LEE, TERRY S. MANESS, AND DONALD L. TUTTLE
Nonspeculative Behavior and the Term Structure

W. W. HIGGINS AND B. J. MOORE
Market Structure versus Information Costs as Determinants of Underwriters’ Spreads on Municipal Bonds

RICHARD G. HARRIS
A General Equilibrium Analysis of the Capital Asset Pricing Model

GORDON J. ALEXANDER AND NORMAN L. CHERVANY
On the Estimation and Stability of Beta

GABRIEL A. HAWAWINI
Intertemporal Cross-Dependence in Securities Daily Returns and the Short-Run Intervening Effect on Systematic Risk

SON-NAN CHEN
Time Aggregation, Autocorrelation, and Systematic Risk Estimates—Additive versus Multiplicative Assumptions

TERRY DIELMAN, TIMOTHY J. NANTELL, AND ROGER L. WRIGHT
Price Effects of Stock Repurchasing: A Random Coefficient Regression Approach

GERSHON FEDER
A Note on Debt, Assets, and Lending under Default Risk

RICHARD H. BERNHARD
A Simplification and an Extension of the Bernhard-de Faro Sufficient Condition for a Unique Non-Negative Internal Rate of Return

MARVIN J. KARSON AND TERRENCE F. MARTELL
On the Interpretation of Individual Variables in Multiple Discriminant Analysis

RICHARD H. PETTWAY
Potential Insolvency, Market Efficiency, and Bank Regulation of Large Commercial Banks

Preliminary Program of the 15th Annual Conference of the Western Finance Association

THE UNIVERSITY OF WASHINGTON GRADUATE SCHOOL OF BUSINESS ADMINISTRATION
AND THE WESTERN FINANCE ASSOCIATION
MORATORIUM ENDS

The Journal is again open for business. Our reviewers' desks are clear (at least of JFQA manuscripts) and we have space available in the December 1980 issue.

We are sincerely anxious to consider your latest manuscript for publication. You can be certain it will receive careful consideration and a speedy response.

Thank you for your patience while the Journal eliminated its large backlog of forthcoming manuscripts. We can now all look forward to stimulating, timely reading.

Robert C. Higgins
Managing Editor
WESTERN FINANCE ASSOCIATION

1979-80 Executive Committee

Donald E. Farrar, President
Charles A. D'Ambrosio, President-Elect
James C. Van Horne, Vice President
D. Stuart Bancroft, Secretary-Treasurer
Guilford C. Babcock, Past President
Robert C. Higgins, Editor
Thomas E. Stitzel
George N. Engler
Alan Kraus
William F. Sharpe

University of Utah
University of Washington
Stanford University
Pacific Lutheran University
University of Southern California
University of Washington
Boise State University
California State University
University of British Columbia
Stanford University

INSTITUTIONAL MEMBERS

University of Calgary, Faculty of Business
California State College, Bakersfield
Center for Business/Economic Research
University of California, Berkeley
School of Business Administration
University of California, Los Angeles
Study Center for Finance and Business Economics

Loyola Marymount University
College of Business Administration
University of Southern California
Graduate School of Business Administration
University of Utah
Department of Finance
First Security Corporation
Salt Lake City, Utah

CORPORATE SPONSORS

Security Pacific National Bank
Wells Fargo Bank
Transamerica Corporation
Bank of America
Huntsman Chemical & Oil Corporation
Mattel, Inc.
Gifford Fong Associates

Los Angeles, California
San Francisco, California
San Francisco, California
San Francisco, California
Salt Lake City, Utah
Hawthorne, California
Santa Monica, California

Copyright 1980 by the Graduate School of Business Administration,
University of Washington
The *Journal of Financial and Quantitative Analysis* is published by the Graduate School of Business Administration, University of Washington, Seattle, Washington, 98195, in conjunction with the Western Finance Association. Regular issues are published in March, June, September, and December, and a Proceedings Issue is published in November. Second-class postage is paid at Seattle, Washington.

The Proceedings Issue contains selected papers, abstracts of papers, discussants' comments, and the proceedings of the Western Finance Association meetings. From time to time a special issue, devoted to one topic of interest to the membership, is published.

The views and opinions expressed are those of the authors and do not necessarily reflect those of the Graduate School of Business Administration of the University of Washington nor of the Western Finance Association.

For individuals, the annual subscription rate to the *JFQA* is $17.50 (three-year rate, $47.50); for firms or libraries, the annual rate is $25.00 (three-year rate $70). Annual subscription rates for individuals and libraries outside the United States (except Canada) are $18.50 for individuals (three-year rate $50.50), and $26.00 for libraries and firms (three-year rate, $73). Single copies are $5.00. The fiscal year of the *Journal of Financial and Quantitative Analysis* begins on January 1.

Manuscripts and $25 submission fee per manuscript ($15 for W.F.A. members) as well as editorial correspondence, should be sent to the Managing Editor. Correspondence relating to advertising, subscriptions, and billing should be addressed: Subscription Manager, *JFQA*, University of Washington, DJ-10, Seattle, WA 98195.

Correspondence pertaining to the Western Finance Association should be sent to Mr. D. Stuart Bancroft, Secretary-Treasurer, School of Business Administration, Pacific Lutheran University, Tacoma, WA 98447.
Spanning the State Space with Options .................................................. 1
Fred D. Arditti and Kose John

The Pricing of Options on Debt Securities .............................................. 11
Richard J. Rendleman, Jr., and Brit J. Bartter

The Price Effects of Rights Offerings .................................................... 25
R. W. White and P. A. Lusztig

The Term of a Risk-Free Security ........................................................... 41
Robert A. Haugen and Dean W. Wichern

Nonspeculative Behavior and the Term Structure ..................................... 53
Wayne Y. Lee, Terry S. Maness, and Donald L. Tuttle

Market Structure versus Information Costs as Determinants of Underwriters' Spreads on Municipal Bonds .................. 85
W. W. Higgins and B. J. Moore

A General Equilibrium Analysis of the Capital Asset Pricing Model .............. 99
Richard G. Harris

On the Estimation and Stability of Beta ............................................... 123
Gordon J. Alexander and Norman L. Chervany

Intertemporal Cross-Dependence in Securities Daily Returns and the Short-Run Intervaling Effect on Systematic Risk .................................................. 139
Gabriel A. Hawawini

Time Aggregation, Autocorrelation, and Systematic Risk Estimates--Additive versus Multiplicative Assumptions .................. 151
Son-Nan Chen

Price Effects of Stock Repurchasing: A Random Coefficient Regression Approach .................................................. 175
Terry Diehlman, Timothy J. Nantell, and Roger L. Wright

A Note on Debt, Assets and Lending under Default Risk ................................ 191
Gershon Feder

A Simplification and an Extension of the Bernhard-deFaro Sufficient Condition for a Unique Non-Negative Internal Rate of Return .................................................. 201
Richard H. Bernhard

On the Interpretation of Individual Variables in Multiple Discriminant Analysis .................................................. 211
Marvin J. Karson and Terrence F. Martell