**Read the conversation below between the CEO and the VP of Finance.  Thoroughly discuss the advantages and disadvantages of issuing Preferred Stock and compare and contrast with the advantages and disadvantages of issuing debt to finance the acquisition.  Which one or combination would be advised to the company to use?**

Beacon Inc. has decided to expand its operations to owning and operating long-term health care facilities. The following is an excerpt from a conversation between the CEO and the VP of Finance.

**CEO**: Have you given any thought to how we're going to finance the acquisition of St. Seniors Health Care?

**VP Finance**: Well, the two basic options, as I see it, are to issue either preferred stock or bonds. The equity market is a little depressed right now. The rumor is that the Federal Reserve Bank's going to increase the interest rates either this month or next.

**CEO**: Yes, I've heard the rumor. The problem is that we can't wait around to see what's going to happen. We'll have to move on this next week if we want any chance to complete the acquisition of St. Seniors.

**VP Finance**: Well, the bond market is strong right now. Maybe we should issue debt this time around.

**CEO**: That's what I would have guessed as well. St. Seniors’ financial statements look pretty good, except for the volatility of its income and cash flows. But that's characteristic of the industry.