

Preferred Equity Basics Three – Figure 1

Scenario #1: Fully Participating Preferred Stock

		Distributions Assuming Preferred Does NOT convert Into Common						Distributions Assuming Preferred Converts Into Common	
		Liquidation Preference		Additional Distribution		Total Distribution		Common	
Shares		Per Share	Total	Per Share	Total	Per Share	Total	Total Distribution	
		Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total
Preferred	1,000,000	\$ 2.00	\$ 2,000,000	\$ 2.00	\$ 2,000,000	\$ 4.00	\$ 4,000,000	\$ 2.40	\$ 2,400,000
Common	4,000,000			2.00	8,000,000	2.00	8,000,000	2.40	9,600,000
	<u>5,000,000</u>		<u>\$ 2,000,000</u>		<u>\$ 10,000,000</u>		<u>\$ 12,000,000</u>		<u>\$ 12,000,000</u>

Preferred receives more per share if they do not convert (a total distribution of \$4.00).

Scenario #2: Non- Participating Preferred Stock

		Distributions Assuming Preferred Does NOT convert Into Common						Distributions Assuming Preferred Converts Into Common	
		Liquidation Preference		Additional Distribution		Total Distribution		Common	
Shares		Per Share	Total	Per Share	Total	Per Share	Total	Total Distribution	
		Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total
Preferred	1,000,000	\$ 2.00	\$ 2,000,000	\$ -	\$ -	\$ 2.00	\$ 2,000,000	\$ 2.40	\$ 2,400,000
Common	4,000,000			2.50	10,000,000	2.50	10,000,000	2.40	9,600,000
	<u>5,000,000</u>		<u>\$ 2,000,000</u>		<u>\$ 10,000,000</u>		<u>\$ 12,000,000</u>		<u>\$ 12,000,000</u>

Preferred receives more per share (\$2.40) if they convert than if they do not convert (their liquidation preference is \$2.00).

Scenario #3: Capped- Participating Preferred Stock

		Distributions Assuming Preferred Does NOT convert Into Common						Distributions Assuming Preferred Converts Into Common	
		Liquidation Preference		Additional Distribution		Total Distribution		Common	
Shares		Per Share	Total	Per Share	Total	Per Share	Total	Total Distribution	
		Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total
Preferred	1,000,000	\$ 2.00	\$ 2,000,000	\$ 1.00	\$ 1,000,000	\$ 3.00	\$ 3,000,000	\$ 2.40	\$ 2,400,000
Common	4,000,000			2.25	9,000,000	2.25	9,000,000	2.40	9,600,000
	<u>5,000,000</u>		<u>\$ 2,000,000</u>		<u>\$ 10,000,000</u>		<u>\$ 12,000,000</u>		<u>\$ 12,000,000</u>

Preferred receives more per share if they do not convert (their distribution is capped at \$3.00).