Public vs. Pre-IPO Convert Comparison

	Typical Public Company Transaction	Typical Private Company Transaction
Principal Amount:	Typically, at least $100 million to ensure liquidity, plus greenshoe.	Any size.
Additional Securities:	Rarely issued with additional securities.	Occasionally issued with warrants.
Issue Price:	100%	Typically, 100% but sometimes issued with original issue discount (OID). Any warrants issued would contribute to OID equal to the fair market value of the warrants.
Ranking:	Senior unsecured, rarely senior secured.	Senior unsecured, occasionally senior secured.
Time to Completion:	Typically, 2 to 3 weeks	Typically, 1 to 3 months.
Maturity Date:	Typically, 5 or 7 years.	Any duration but typically 5 years or less.
Interest Rate:	Fixed rate, payable semi-annually in cash in arrears.	Floating or fixed rate, which may increase if IPO does not happen within set time period. Payable monthly, quarterly or semi-annually; Interest may be payable in-kind or in shares.
Typical Settlement Method Types:	Physical Settlement –Shares of the company's stock; or Instrument X – Cash, shares of the company's common stock or a combination of cash and shares of the company's common stock, at the company's election.	Prior to IPO –Shares of the company's common stock, existing preferred stock and/or future round of preferred stock Upon IPO –Shares of the company's common stock.
Conversion Price:	[20-35]% premium to the last reported sale price at pricing.	Typically, a discount to IPO price, which may increase if IPO does not occur within set time period; provided, however that some recent pre-IPO converts have provided for a premium to the IPO price.
Conversion Rate / Price Adjustment:	Subject to adjustments via specific formulas, including for stock splits, stock dividends, recapitalizations, reclassifications, subdivisions, or distributions payable in securities or assets of the company or any other person. Rarely include price-based anti-dilution adjustments.	If convertible prior to IPO, the conversion price may be subject to adjustments like those in the company's preferred stock and may include price-based anti-dilution adjustments and adjustments for certain corporate events (e.g. spin-offs, subsidiary IPO).

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	Typical Public Company Transaction	Typical Private Company Transaction
Redemption:	Provisional Redemption – The company has a right to redeem the notes for cash right after Year 3 or Year 4 if the stock price exceeds 130% of the conversion price for a specified time period.	Rarely includes optional redemption features. Any redemption features typically include a substantial prepayment premium.
Fundamental Change / Change of Control:	If the company undergoes a “fundamental change” (includes a change of control, delisting or dissolution and subject to certain exclusions), the company is required to offer to repurchase the notes for cash at 100% of the principal amount plus accrued and unpaid interest.	Typically, results in an Event of Default and/or a mandatory prepayment of the notes, with or without a premium.
Make-Whole Fundamental Change / Change of Control.	If a Make-Whole Fundamental Change (to be defined as a Fundamental Change without certain exceptions therein) occurs, noteholders that convert will get additional shares based on a make-whole table tied to the stock price and effective date of the “Make-Whole Fundamental Change”. This feature is intended to compensate holders for the lost value of the embedded conversion option.	Noteholders may have an option to convert into merger consideration at a discount or subject to a capped valuation.
Certain Covenants:	Limited to financial reporting and conversion settlement	May also include limitations on the company’s ability and the ability of its subsidiaries to: (i) incur indebtedness, (ii) issue preferred stock, (iii) incur liens, (iv) make certain dividends and distributions on the company’s capital stock and/or (v) make certain asset sales.
Events of Default:	Limited set of Events of Default with respect to the company and its subsidiaries, including, among others: payment default, failure to convert, bankruptcy, a cross default and a judgment default.	More expansive list of Events of Default, which may include a change in control, material adverse effect, reps & warranties and other defaults more typical in secured credit facilities.
Concurrent Equity Derivatives:	Capped call or call spread is often entered into in order to synthetically increase the conversion rate / price for the notes	Never.
Transfer Restrictions:	None, other than transfers by affiliates. Transfers for Rule 144A and 4(a)(2) transactions subject to registration or an exemption from registration under the securities laws.	May include limitations on transfer other than among a noteholder’s affiliates.
Registration Rights:	Rarely include registration rights for Rule 144A or 4(a)(2) transactions. Designed to allow for resale under Rule 144 after six months.	May include registration rights in connection with IPO, subject to the same limitations that the company’s equity investors are subject to.