Case 20-7c

Real Value Corporation

Real Value Corporation (the "Company") is a public company (and an SEC registrant) that creates augmented reality technology. The Company's primary source of revenue is currently from universities that use the Company's products to superimpose computer-generated images in the classroom to enhance learning. In addition to its ordinary business activities, the Company invests in equity securities (described below) to generate investment income, which is the case for all investments made by the Company as described herein. The Company's fiscal year-end is December 31. The Company files quarterly and annual financial statements with the SEC.

The Company purchases equity securities in the form of Series A preferred stock of Company X (a private company) on February 1, 20X0. The Company concludes that the equity securities do not have a readily determinable fair value and that they do not qualify for the practical expedient to estimate fair value in accordance with ASC 820-10-35-59. In its first quarter 20X0 financial statements, the Company accounts for this investment in accordance with ASC 321 and elects the measurement alternative in ASC 321-10-35-2 on the date of purchase, which it does for all its investments described herein.

The terms for the sale of the Company X Series A preferred stock are as follows:

- The Series A preferred stock has substantive liquidation preference over any other class of shares Company X has outstanding (these Series A shares would retain their substantive liquidation preference over any class of shares Company X may issue at any point in the future).
- The Company has no voting rights.
- The Company can elect two members to the board of directors.
- The Company receives dividends that are cumulative and participatory.
- The Series A preferred stock can be converted to common stock at any time at the holder's option.

Second Quarter Events

On April 1, 20X0, the Company purchases additional shares of Series A preferred stock of Company X as a part of an offering that Company X made to multiple investors; the price paid is greater than what the Company paid in its purchase on February 1, 20X0.

On May 1, 20X0, the Company purchases equity securities in the form of Series A preferred stock of Company Y (a private company). This Company Y Series A preferred stock provides for similar rights and obligations as the Company X Series A preferred stock, but the price paid for the Company Y Series A preferred stock is greater than what the Company paid when it purchased the Company X Series A preferred stock on April 1, 20X0.

On June 1, 20X0, the Company purchases shares of Series B preferred stock of Company X as a part of an offering that Company X made to multiple investors. The price paid is less than what the Company paid when it purchased the Series A preferred stock of Company X on February 1, 20X0.

The terms for the sale of the Company X Series B preferred stock are identical to the Company X Series A preferred stock except for the following:

- The Series A preferred stock has a substantive liquidation preference over Series B.
- The Company can only elect one member to the board of directors.
- The Company receives dividends that are noncumulative.
- The Series A preferred stock has dividend preference over Series B (i.e., Series A will receive dividends, if declared, before Series B).
- The shares cannot be converted to common stock.

Fourth Quarter Events

On November 1, 20X0, Company Y issues additional shares of Series A preferred stock only to Company Y's original investor (no additional shares were offered to the Company because the Company was not the original investor).