EXHIBIT 4
Temporary Equity with Beneficial Conversion Feature

On January 1, 2007, Company C sells 1 million shares of preferred stock for $5 million. The preferred stock is convertible into Company C's common stock at $4 per share. Effectively, this instrument obligates Company C to issue up to 1,250,000 shares ($5,000,000/$4 per share) of common stock. The market price of Company C's common stock at the date of issuance is $5 per share. Company C is required to redeem the preferred stock at December 31, 2011. Company C is not subject to any registration payment penalty.

Although the preferred stock is mandatorily redeemable, its provisions permitting the conversion to common stock cause it to be classified as equity and not a liability under SFAS 150. The redemption of the preferred stock is conditional on the holders not converting to common stock. This condition places this instrument outside the scope of SFAS 150. Under SEC rules it is classified as temporary equity.

The preferred stock has a beneficial conversion feature with an intrinsic value of $1,250,000 because the shares are convertible into 1,250,000 common shares at a discount of $1 per share (the $5 market price, less the $4 conversion price). This amount is recorded as a discount on the preferred stock, with a corresponding credit to capital. Company C will record the transaction as follows:

Cash	$5,000,000	
Additional Paid-in Capital		$1,250,000
Preferred Stock		$3,750,000

The discount is recognized as a dividend over the five-year term. The annual deemed dividend of $250,000 (the total discount of $1,250,000 divided by five years) would be an adjustment to income applicable to common stockholders in the calculation of earnings per share. The entry for December 31, 2007 will be as follows:

Retained Earnings	$250,000	
Preferred Stock		$250,000