

Metapath Software: September 1997
Case Questions

1. Analyze Metapath's capital structure, in particular the various forms and pieces of participating preferred stock from the multiple previous rounds of financing.
 - a) How does this capital structure affect the offer from RSC? How would RSC's participating preferred interact with the other tranches of preferred stock?

2. How do you analyze the RSC offer? How much is the participating feature of the Series E Preferred worth? Describe the payoffs of the proposed Series E Preferred in Exhibit 2. (You can assume that Metapath would be raising \$10.75M as specified in the term sheet, not the \$11.75M as specified in the case.) For this purpose, assume that the terminal payoffs occur in 3 years --- before any dividends are actually paid or accumulate. Also note that the payoffs will depend on whether Metapath is sold to another company or whether it is taken public. Therefore, you should describe the payoffs under each scenario.

3. How do you analyze the CellTech offer? What are the risks for the Metapath shareholders if the board accepts the CellTech offer?