

# HOW STRATEGY ENGINEERS DIGITAL CREDIT

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*Stripping volatility. Compressing duration. Extracting yield from Bitcoin.*

**Bitcoin is Digital Capital. MSTR is Digital Equity. STRC is Digital Credit.**

Our corporate strategy is to create two complementary products from Bitcoin capital: MSTR, offering Amplified Bitcoin and ownership in a growing Digital Credit business; and STRC, designed to damp volatility, compress duration and deliver a USD yield.

Creating Digital Credit requires active management of an entire balance sheet: Bitcoin, dollars, debt, preferred stock and common equity. It requires decisions about capital, liquidity, seniority, dividend rates, payment frequency and the terms investors own.

Our ambition is to engineer the highest quality Digital Credit: attractive dollar income supported by financial resilience, disciplined capital allocation and a more stable investor experience.

The dividend is the visible output. The quality of the system behind it is the essential work.

**We manage the capital. We manage the claims. We manage the liquidity. We engineer the product.**

## **One capital foundation. Two investment propositions.**

Investors seeking Bitcoin price exposure can hold BTC or a spot Bitcoin fund. MSTR investors purchase equity in a company pursuing two sources of value: amplified exposure to Bitcoin and the growth of a Digital Credit business.

Through MSTR, we seek enhanced long-term performance by actively building Bitcoin capital, developing credit products and allocating capital productively. Equity investors participate in that opportunity while accepting amplified volatility and downside risk. Amplification works in both directions.

STRC investors seek a different experience: dollar income, reduced price volatility and shorter-duration characteristics. We seek to serve that demand through the strength of our capital, the priority of the preferred claim, dollar liquidity and active management.

The two propositions are connected. The capital structure directs more of Bitcoin's volatility and return potential toward common equity, helping support a more stable income proposition for credit investors. MSTR shareholders own the company that designs, issues and manages that credit.

The capital beneath a credit instrument helps absorb losses. The cash available to the company helps meet payments. The amount, cost and priority of every claim influence the resilience of the whole structure.

We manage one balance sheet to create amplified exposure for equity investors and damped exposure for credit investors. Both propositions depend on the strength of the company and the quality of its execution.

## **We build Bitcoin capital and dollar capacity.**

Common equity gives us two distinct tools:

- **Issue MSTR to acquire BTC.** This adds Bitcoin assets without creating another senior payment claim.
- **Issue MSTR to acquire USD.** This can strengthen payment reserves, fund the retirement of outstanding claims or preserve capital for future opportunities.

Bitcoin provides long-term capital exposure. Dollars provide immediate capacity to pay, repurchase securities and act on opportunities. The appropriate balance depends on financing terms, market conditions and the company's commitments.

Every common-equity issuance must be evaluated against dilution and long-term value per share. We seek to deploy the proceeds in ways that strengthen the company and improve its economics for shareholders.

## **We manage STRC supply in both directions.**

Issuance and repurchases allow us to adjust the amount of STRC outstanding as conditions change.

- **Above par, we can issue STRC.** When the economics justify expansion, issuance brings capital into the company. We evaluate the proceeds against the preferred claims and future dividend requirements created.

- **Below par, we can repurchase STRC.** Repurchases retire preferred shares and their associated future dividends at a discount to stated amount. They can improve the relationship between assets, outstanding claims and payment requirements.

Each decision depends on the price, available liquidity, funding costs and alternative uses of capital. Both tools remain subject to applicable restrictions, and repurchases are discretionary.

The discipline is to raise capital on attractive terms and retire claims when doing so is the better use of capital. A buyback policy supports that discipline; it does not establish a guaranteed price floor.

## **We manage every layer of the capital structure.**

STRC's position depends on the claims above and below it. We manage those layers together.

- **Bonds rank ahead of preferred equity.** Refinancing, repurchasing or redeeming bonds can change senior claims, financing costs and the timing of cash requirements. We consider stated maturities and dates when holders may require repayment.
- **STRF is senior to STRC.** We can issue STRF, pause issuance, or pursue repurchases or redemptions when permitted. Additional senior financing brings in assets while adding claims ahead of STRC.
- **STRK, STRE and STRD are junior to STRC.** We can issue these instruments, pause issuance, or pursue their retirement when permitted. Junior financing can add assets without adding a preferred claim ahead of STRC, while introducing its own financing costs and terms.

Retiring a senior claim may strengthen STRC's position, but it consumes liquidity. Issuing a junior instrument may add capital beneath STRC's priority, but its dividends, conversion features and other terms still matter.

We evaluate each transaction by its effect on the whole company. Redemption rights remain governed by each security's terms; pausing issuance does not change the rights of existing holders.

## **We give payment reserves and allocation cash different jobs.**

Dollar liquidity serves two distinct purposes:

- **USD Reserve supports payment continuity.** It is designated for preferred dividends and interest on outstanding debt.
- **USD Cash supports capital allocation.** It is available for Bitcoin treasury purposes, including debt buybacks, preferred buybacks, common-equity buybacks and Bitcoin purchases. It excludes the payment reserve and cash for ordinary operating needs.

This distinction keeps us from counting the same dollar as both payment coverage and freely deployable investment capital.

We adjust the reserve in relation to the payments it supports. A larger reserve can extend coverage. Retiring dividend-bearing shares can reduce the payment burden. Raising a dividend rate increases that burden.

We also evaluate how to replenish cash. Depending on economics and existing authorizations, sources can include financing and selective Bitcoin monetization. Payment capacity must exist in dollars when dollars are needed.

**Strong capital supports credit. Available cash supports payments. We manage both.**

## **We manage the dividend rate within the whole system.**

STRC's adjustable dividend rate is an important part of its design. We consider the rate alongside market price, competing yields, credit spreads, Bitcoin conditions, reserve coverage and the broader capital structure.

A higher rate may attract more demand, but it also increases payment requirements. Other responses may include repurchasing shares, building reserves, reducing senior claims or changing issuance activity.

The objective is an attractive income proposition supported by a resilient financial structure. Rate decisions must serve that objective while seeking to support trading near the stated amount.

## **We keep improving the security itself.**

Payment frequency, dividend-rate mechanics and other terms shape the investor's experience. They also affect how financial institutions can use the instrument in their own products.

Our proposal for daily dividends on U.S.-listed preferred securities illustrates this approach. If approved and adopted, dividends would accrue on every calendar day, including weekends and holidays, and be payable on the next business day when declared.

The objective is to shorten the interval between earning income and receiving cash, improve reinvestment timing and increase the usefulness of the securities for investors and product providers.

More frequent payments change the timing of income. They do not create daily redemption rights or guarantee stable principal.

We can propose amendments, refine policies and improve the operating design as the market develops, subject to required approvals. Product development continues after issuance.

## **We seek shorter duration and a longer payment runway.**

For the investor, the goal is to reduce relevant price sensitivity and improve the timing of cash flows. An adjustable dividend rate can reduce certain interest-rate sensitivities relative to a comparable fixed-rate instrument. More frequent payments bring income forward.

For the company, a longer payment runway provides more capacity to meet commitments without depending on an immediate financing transaction or asset sale.

### **Shorter duration for the investor. Longer payment coverage for the issuer.**

These objectives address different risks. STRC remains perpetual and sensitive to the issuer's credit and market conditions. A dividend-rate adjustment does not create a maturity date or a promise to return principal.

## **The levers work together.**

The value of the management toolkit comes from coordinating its parts.

Consider a hypothetical period when STRC trades below par and MSTR issuance offers attractive economics. Raising common equity and using part of the proceeds to repurchase STRC could retire preferred claims and reduce future dividends. Reserving another portion in dollars could improve payment coverage.

A different environment might favor STRC issuance above par, additional Bitcoin purchases and reserve growth. Another might favor bond refinancing, a pause in senior preferred issuance or retaining cash for a future opportunity.

We can adjust Digital Credit policies and the overall mix of Bitcoin, dollars, debt, preferred stock and common equity through appropriate governance. Those choices determine how individual transactions fit together.

Every action must be assessed against assets, claims, payment requirements, dilution and future flexibility. Sometimes preserving the ability to act later is the most valuable decision.

## **MSTR shareholders own the Digital Credit business.**

The equity proposition combines Amplified Bitcoin with ownership in a company building a financial business around Digital Credit.

Shareholders participate in the potential appreciation of our Bitcoin capital and in the value we can create through product innovation, broader investor adoption, financing capacity and disciplined capital allocation. Each successful improvement can make our credit more useful and expand the opportunity for the business.

Our ambition is to build a major source of reserve capital and Digital Credit for the crypto economy. MSTR gives investors ownership in that institution.

As demand for Digital Credit grows, attractive financing can support Bitcoin accumulation, strengthen financial flexibility and expand our capacity to develop additional products. The opportunity for common shareholders is to participate in the growth of both the capital base and the business built around it.

That growth must create value per common share. Its benefits must exceed the full economic cost of financing, including dilution, payment requirements and the cost of maintaining liquidity.

In turn, a stronger common-equity capital base can improve the resilience of the preferred structure.

**Stronger capital supports better Digital Credit. Better Digital Credit can expand the business. Disciplined growth can create greater value for MSTR shareholders.**

Credit quality and equity value are connected objectives. Our job is to make them reinforce each other.

## **Digital Credit is a discipline we practice.**

Our objective has three parts:

- **Strip volatility.** Seek to reduce how much Bitcoin's price movements affect the credit investor through capital, liquidity, seniority and active management.
- **Compress duration.** Improve cash-flow timing and reduce relevant price sensitivity while managing the continuing risks of perpetual credit.
- **Extract yield.** Transform Bitcoin capital into an income-producing corporate security through financing, reserves and disciplined capital allocation.

Bitcoin itself pays no coupon. Strategy pays dividends under the terms of its securities. The income-producing instrument is the result of the corporate structure and the management system supporting it.

Better Digital Credit can provide a foundation for funds, tokenized securities and products designed to combine income with dollar stability. Each additional structure must establish its own liquidity, protections and investor economics.

Every capital raise, repurchase, reserve decision, dividend adjustment and product improvement serves the same objective: stronger Digital Credit and greater long-term value for our shareholders.

**Bitcoin is Digital Capital.**

**Strategy engineers Digital Credit.**

## **Important information**

“Highest quality” describes our design ambition, not an independent credit rating or a guarantee. STRC is perpetual preferred equity, not a bank deposit or a direct claim on pledged Bitcoin. Investors can lose principal; market price, liquidity and cash dividends are not guaranteed. Repurchases and policies are discretionary, and proposed amendments require applicable approvals. Statements about objectives and expected benefits are forward-looking and subject to risks described in Strategy’s SEC filings. Investors should review the applicable prospectuses and, for proposed dividend amendments, the proxy materials.