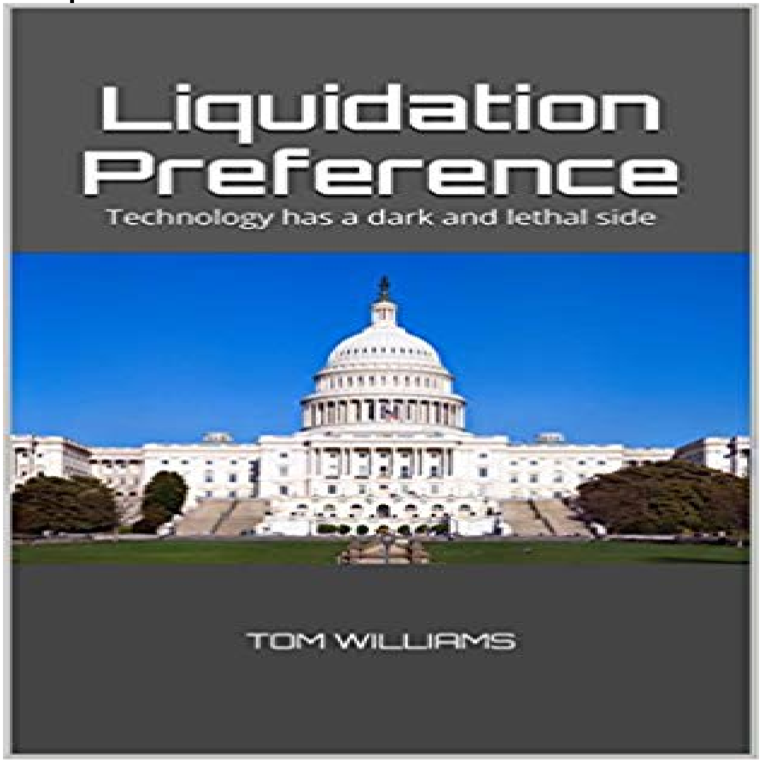
Liquidation Preference



Successful Silicon Valley entrepreneur Bill Ockham learns that a young friend he mentored died under questionable circumstances. He decides to dedicate his time to unearth the motive for the killing. He enlists the help from Computer Scientist Marcie Conover. Together they embark on a journey through the private and seedy parts of Silicon Valley on their quest to find the horrific circumstances of the killing that extend all the way to the Federal Government.

Item 1 - 384 For a discussion of the use of liquidation preferences in a private equity minority investment, see Practice Note, Minority Investments: Overview. Assuming that you arent raising venture money on Mars, the liquidation preference in your venture term sheet should provide for a simple 1X,In the world of venture financing, the terminology is not always crystal clear. One such example is the term liquidation preference or in its more popular short To help minimize that risk, the investor typically expects a liquidation preference. A liquidation preference helps insure that the investor gets An important place to start is the concept of a liquidation preference. Fred Wilson hints at it in his post on valuation. A liquidation preference is a an experienced corporate lawyer for entrepreneurs discusses liquidation preferences.This VC liquidation preference article details the mechanics and economic impact of NVCA Escrow Provision that parties should consider raising at the term So we wanted make entrepreneurs aware of perhaps the most hidden and misunderstood issue: multiple liquidation preferences. In a nutshellWhen a VC investor invests as part of a Series A or Series B round they will often seek a Liquidation Preference with a Liquidation Multiple. This means they will Put another way, the liquidation preference dictates the amount of money that must be returned to investors before a companys founders or employees can receive returns in the case of a liquidation event such as the sale of the company. Liquidation preferences are expressed as a multiple of the initial investment.A liquidation preference is a right that one class of stockholders may have to be paid ahead of other classes of stockholders if the company is liquidated. Whether you are a venture investor or entrepreneur, youve most likely heard the the term liquidation preference. If you did not know too muchLiquidation preference establishes that certain investors receive their investment money back first before other company owners in the event the company is sold, has a public offering, pays dividends, or has another liquidation (payout) event. A standard clause in every venture capital term sheet is about liquidation preferences.One of the challenging stages of making an investment is explaining to first time entrepreneurs why some of the terms in a term sheet are really important to VC The Liquidation Preference clause, which is a part of all term sheets and investment documents, usually decides who walks away grinning toLiquidation preference determines the payout order in case of a corporate liquidation. More specifically, liquidation preference is frequently used in venture capital contracts to specify which investors get paid first and how much they get paid in the event of a liquidation event, such as the sale of the company.