

Liquidation Preference Agreement

This Liquidation Preference Agreement ("Agreement") is entered into as of **[Date]**, by and among **[Company Name]**, a **[State/Country]** corporation, with offices at **[Address]** ("Company"), and the investors listed on **Exhibit A** attached hereto (each, an "Investor" and collectively, the "Investors").

1. Purpose

The purpose of this Agreement is to set forth the rights of the Investors with respect to the liquidation preference associated with their investment in the Company.

2. Definitions

- **Liquidation Event:** Any voluntary or involuntary liquidation, dissolution or winding up of the Company, or a Deemed Liquidation Event as set forth in the Company's Certificate of Incorporation.
- **Preferred Stock:** Shares of Preferred Stock of the Company held by the Investors covered by this Agreement.
- **Original Issue Price:** The price per share at which the Preferred Stock was originally issued as specified in **Exhibit A**.

3. Liquidation Preference

In the event of any Liquidation Event, the holders of Preferred Stock shall be entitled to receive, prior and in preference to any distribution to the holders of Common Stock, an amount per share equal to the Original Issue Price plus any accrued and unpaid dividends (the "Liquidation Preference").

4. Participation Rights

After payment of the Liquidation Preference to the holders of Preferred Stock, any remaining assets of the Company shall be distributed among the holders of Common Stock pro rata based on the number of shares then held by each holder.

5. Amendments

This Agreement may be amended or modified only by a written agreement signed by the Company and Investors holding at least a majority of the Preferred Stock then outstanding.

6. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of **[Governing Law State]**, without regard to its conflict of laws principles.

Authorized Representative
[Company Name]

Investor

[Investor Name]

Important Notes:

- Liquidation preference determines the payout order upon the sale or dissolution of a company.
- Review the terms carefully as liquidation preference can significantly affect investor returns.
- Participation rights may give investors further entitlements beyond their initial preference.
- Check if there are multiple preference tiers or "stacking" of liquidation preferences among investors.
- This document should be customized with legal counsel to reflect the intent of both company and investors.