

# Down round and cramdown financings: a guide

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In the first three months of 2020, the US economy suffered its sharpest decline since the 2007-8 financial crisis. Venture-backed companies are not immune. According to a white paper recently published by the National Venture Capital Association, investment in the US startup ecosystem is expected to drop significantly. In this turbulent period, companies may exhaust (or face difficulties obtaining) funding available under government stimulus programmes. Venture-backed companies in need of capital may have trouble finding new investors or convincing existing stockholders to inject additional capital. They may then be forced to decide between strategic alternatives such as a merger, a partial or complete liquidation, or a down round or cramdown financing.

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Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding these developments. Please contact any member of the firm's Emerging Companies practice group, the Gibson Dunn lawyer with whom you usually work, or the following authors:

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