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The structure and governance of venture-capital organizations

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Abstract

Venture-capital organizations raise money from individuals and institutions for investment in early-stage businesses that offer high potential but high risk. This paper describes and analyzes the structure of venture-capital organizations, focusing on the relationship between investors and venture capitalists and between venture-capital firms and the ventures in which they invest. The agency problems in these organizations and to the contracts and operating procedures that have evolved in response are emphasized. Venture-capital organizations are contrasted with large, publicly traded corporations and with leveraged buyout organizations.



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