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# Investor Readiness - A legal and practical guide to assist in the funding process

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# Overview

- Getting Your House In Order
- Introduction to the legal issues on investment



## Ownership of IP

- Identifying your company's IP
- Where is it held?
- What do you own, what should you own and what is licensed to you?
- Any restrictions on use / change of control?
- The employee / contractor distinction

## Service Contracts

- How is IP ownership dealt with (if at all)?
- Restrictive covenants:
  - Termination
  - Non compete / non-poach
  - Restrictions on use of Confidential Information and IP
- Perfecting / confirming the “real” position

## Registering Your IP

- Evidential proof of ownership
- Strengthens ability to enforce and protect your rights
- Consider whether any registerable trade marks, patents, design rights, domain names
- Easily verifiable by potential investors

## IP Infringement?

- Identifying any past or current infringement
- Paper trail – how was this dealt with and resolved
- Forewarned is forearmed – any possible infringements? (whether by third parties or by you!)



## Standard Ts&Cs

- Identify Ts&Cs that you may be subject to
- “Battle of the forms” – who’s Ts&Cs apply?
- Exposure:
  - Indemnities / liability
  - Title and risk in products
  - Ownership of IP / modifications

# Regulatory Obligations

- Do any market or product-specific regulations apply to you (e.g. MHRA, Medical Devices Regs)?
- Are you in compliance?
- Obligations to conform with applicable laws
- Know your market



# Legal issues on investment

- Structure of investment – debt or equity?
- Loan – secured or unsecured?
- Equity
- Options/warrants/convertible instruments



## Due diligence

- Legal – IPR, employees, property, contracts, litigation, compliance, corporate records
- Commercial
- Financial
- Management
- Others – depends on sector

## Key terms

- Investment agreement
- Articles of association
- Loan agreement
- Warrant or option instrument



## Investment agreement – key terms

- Consent/veto matters
- Information rights
- Warranties – what they are and who gives them
- Limitations on warranties
- Appointment rights – directors and observers

# Investment agreement – key terms

- Restrictive covenants – non-compete and non-solicitation
- Keyman insurance
- Fees/costs – one-off and recurring
- Exit strategy
- Publicity



## Articles – key terms

- Restrictions on share transfers
- Permitted transfers
- Pre-emption on transfers
- Compulsory transfer
- Good leaver/bad leaver

## Articles – key terms

- Preferred dividends
- Exit/liquidation preferences
- Swamping rights
- Anti-dilution rights
- Pre-emption on issue of shares



## Loans– key terms

- Information rights
- Observer rights
- Consent matters
- Default
- Keyman insurance
- Security and priority issues
- Convertible loans

## Warrant instrument – key terms

- Triggered by sale of shares, sale of assets or flotation
- May also be triggered by further investment rounds
- Pricing to protect investor



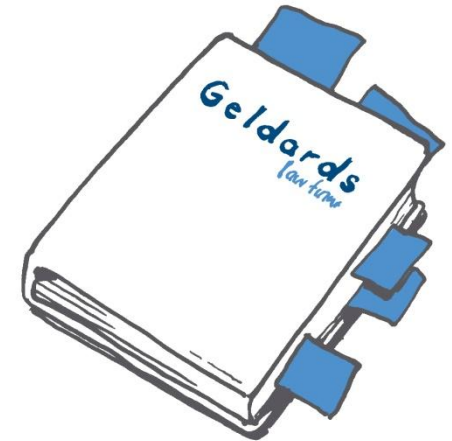
Thank You



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