



How to Attract Investment?

Legal Issues

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What I Will Cover

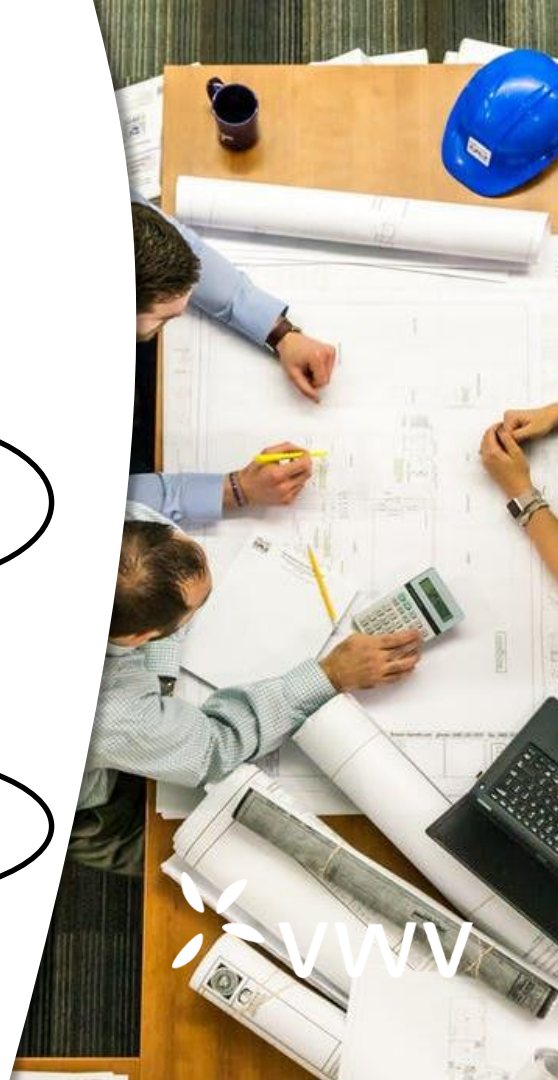
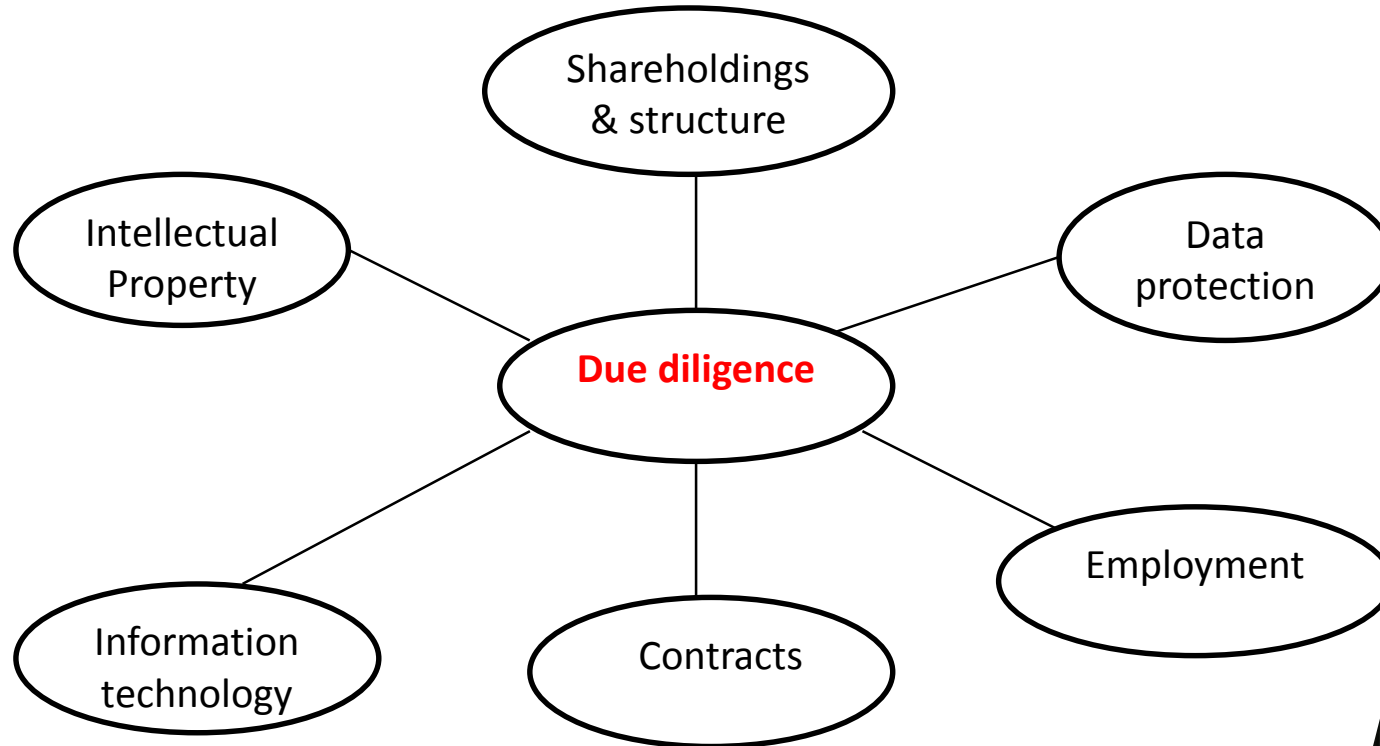
- Investment readiness – what is it?
- Legal due diligence – what is important to an investor?
- Common legal pitfalls (and how to avoid them)
- Benefits of investment readiness
- Key issues on investment deals

Investment Readiness

- PE or VC will carry out legal due diligence
- Due diligence can impact on day job
- Legal audit



Areas of Focus



Common Pitfalls

- Statutory books missing or incomplete
- Anti-dilution protection for previous investors
- Shareholders gone AWOL
- Key customer and supplier arrangements
- Systemic issues with T&Cs
- Intellectual property not owned by company
- Employment status unclear



Benefits of Investment Readiness

- Identify and rectify areas of weakness
- Protect the company's valuation
- Reduce risk of deal aborting
- Confidence in negotiations
- Compilation of key documents



Key Issues on Investment Deals (1)

- **Limitations of Liability** - time, money and others
- **Disclosure** - its importance and the practicalities
- **Investor consent matters** - things you can't do without their approval
- **Good/bad leaver/reverse vesting** - doesn't just protect investors



Key Issues on Investment Deals (2)

- **Preference rights (not SEIS/EIS) -**
 - Liquidation/exit preference & enhanced dividends
 - Anti-dilution and 'pay to play'
- **Convertible Loan Notes** - what are they?
- **Warranties** - what is their purpose?

Final Thoughts & Key Lessons

- Allow time to prepare
- Take advice before issuing shares
- Keep your records up to date





Q&A



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