

Important Typical Investment Documents



Confidentiality or Non-Disclosure Agreements

Before any substantial negotiations take place, the parties will enter into a confidentiality agreement. This prohibits them from sharing the information they provide to one another relating to the investment or private information shared in due diligence with third parties.

Pitch "Deck" or Information Memorandum

Companies seeking funding will typically prepare a “pitch deck” which is just a presentation for investors about the company, containing material information about the company’s business, operations, finances, capital structure and future plans. The internet is full of pitch decks that were used successfully to obtain investments from companies that are famous.

Investment Term Sheet

As a first step, the parties will agree the main terms and conditions of the investment in a term sheet. Typically, many investors will conduct some due diligence to know enough about the company/investment opportunity to negotiate terms of any deal. If a term sheet is rendered than it may serve as a basis for the subsequent negotiation of full form documentation which are the final closing documents. The term sheet are usually not binding as due diligence and lot more information may be required for closing. Term Sheets may contain some legally binding provisions, such as an obligation for the company seeking funding to negotiate exclusively with the investor for a certain period.

Articles of Association

Articles of Association and by laws and certificate of registration are documents that govern the internal affairs of a company. Typically most of these documents are public. Those documents function as a contract between a company and its shareholders. Those documents are usually requested very early on the process of seeking funds as investors may use them to help structure any term sheet for funding, for example board seats etc.

Shareholders' Agreement

This is a usually a private document that governs the relationship between shareholders or owners in a company. The company is usually also a party to the contract (shareholders agreements), so shareholders or owners are protected. Shareholders' agreements often deal with matters such as investor decision-making, shareholder consent rights and the protection of minority shareholders. Most such agreements contain personal, confidential or sensitive information of shareholders or owners so it is recommended they are redacted before providing to a prospective investor.

Subscription or Investment Agreement

This is the mechanical agreement by which an investor agrees to subscribe for shares in a company for a particular subscription price, and the company agrees to issue those shares to it. It also usually contains warranties given by the company and its founders or managers to investors about the state of the business and the potential investment.

Disclosure Letter

If the company and/or its managers have given warranties to investors in the investment documentation, they may wish to provide a disclosure letter to investors to accompany these. This letter gives the warrantors the opportunity to disclose any matter which might render any warranty untrue (and thereby avoid liability for claims for breach of warranty in respect of such matters after the investment completes).