The Legal Issues That Shape Investment Deals

Key legal areas, terms and documents

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www.manufacturingafrica.org

Enabling investment and the creation of jobs across the continent

Manufacturing Africa is FCDO's flagship investment facilitation programme in Africa

Programme Goal
Attract **£1.9 billion** of foreign direct investment (FDI) and creation of **99,000 jobs**

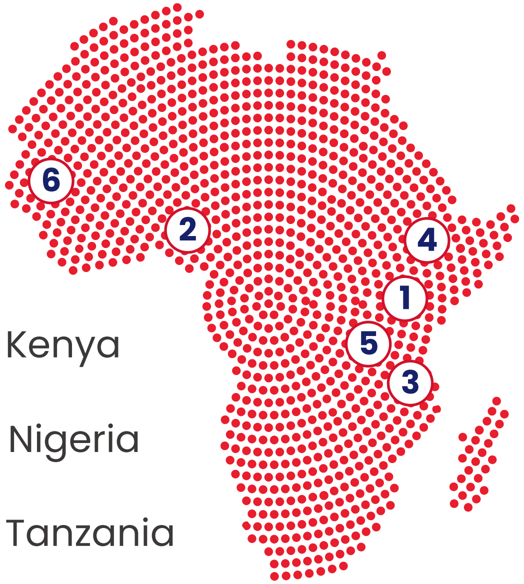
Focus Sector
Manufacturing and manufacturing enablers

Implementing Consortium
McKinsey & Company, BDO, TechnoServe, Steward Redqueen and others

Funding
Foreign, Commonwealth and Development Office (FCDO)

Duration
7 Years (2019-2026)

Focus Countries



1. Kenya
2. Nigeria
3. Tanzania
4. Ethiopia
5. Rwanda
6. Sénégal

Addressing Two of Africa's Key Challenges

A Growing Labour Force

1B | Working population increase by 2050

2x | Urban population growth by 2050

18M | New jobs needed a year until 2035

An Underdeveloped Manufacturing Sector

Low manufacturing productivity.

Struggle to move into **high-value** services.

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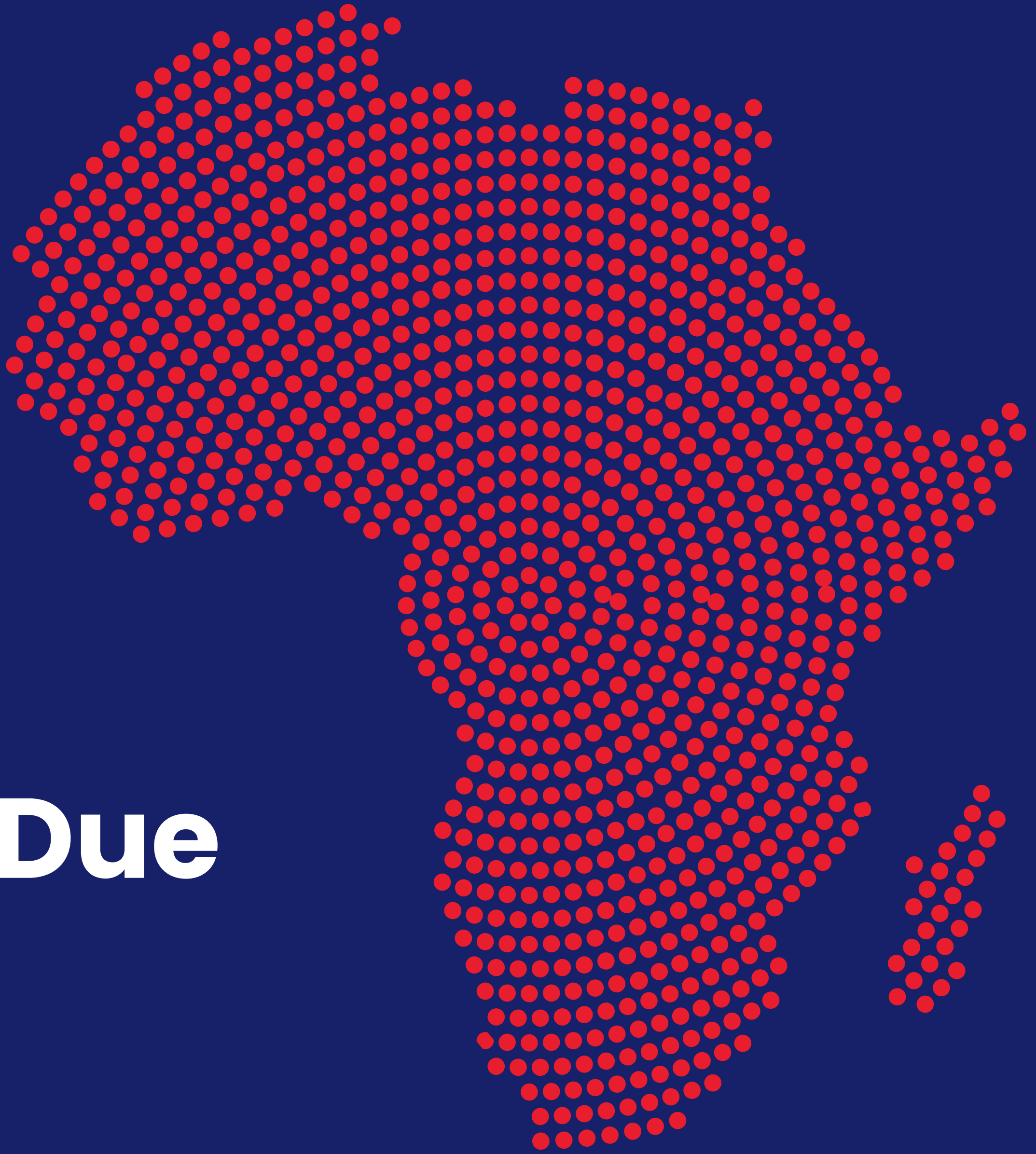
Overview of the Legal Due Diligence Process



Navigating the legal foundations of investment transactions

- Legal frameworks underpin every investment transaction
- Protects both investors and companies from risk
- Ensures compliance, transparency, and enforceability
- Shapes negotiation outcomes and long-term partnerships

Identifying risks & ensuring transparency

The Investor Perspective: Investors are generally risk-averse; they use legal DD to uncover hidden liabilities or "red flags" that could lead them to walk away from a deal.

Key Legal Focus Areas:

- **Governance:** Review of articles of incorporation, governance structures, shareholder rights, board approvals
- **Compliance:** Verifying tax compliance, business licenses, and regulatory permits.
- **Obligations:** Analyzing existing debt agreements, leases, and commercial contracts

The Outcome: A successful legal DD process builds credibility for the company and justifies the final deal terms.

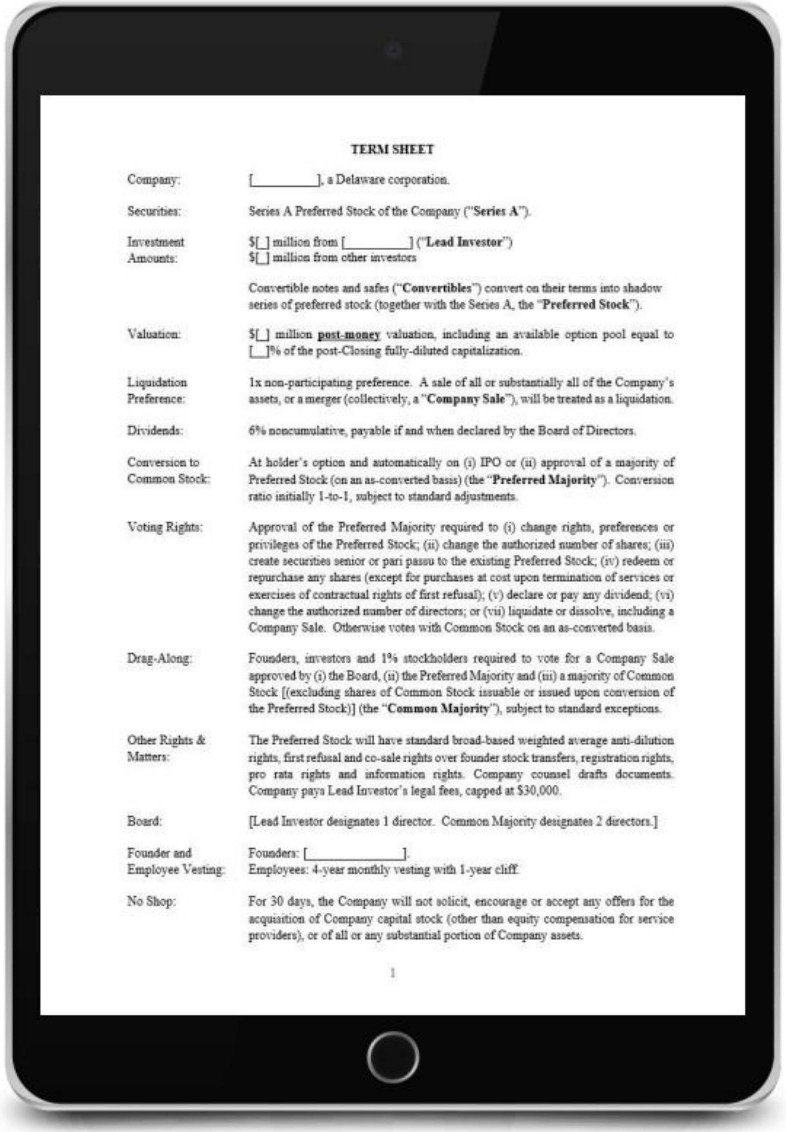
Key legal documents in the deal cycle: From initial interest to final execution

Non-Disclosure Agreement (NDA): A foundational document shared early in the process to protect sensitive company information before detailed discussions or data room access.

Term Sheet: A non-binding document that outlines the priority terms of the investment, including amount, shareholding percentages, and future exit expectations.

Sale and Purchase Agreement (SPA): The definitive legal contract that finalizes the transaction, requiring high detail orientation to close the deal.

The Data Room: A secure, virtual location where all the documents (along with deeds, IP filings, and employment contracts) are stored for investor review


TERM SHEET

Company:	[________], a Delaware corporation.
Securities:	Series A Preferred Stock of the Company ("**Series A**").
Investment Amounts:	$[_] million from [________] ("**Lead Investor**") $[_] million from other investors
	Convertible notes and safes ("**Convertibles**") convert on their terms into shadow series of preferred stock (together with the Series A, the "**Preferred Stock**").
Valuation:	$[_] million **post-money** valuation, including an available option pool equal to [__]% of the post-Closing fully-diluted capitalization.
Liquidation Preference:	1x non-participating preference. A sale of all or substantially all of the Company's assets, or a merger (collectively, a "**Company Sale**"), will be treated as a liquidation.
Dividends:	6% noncumulative, payable if and when declared by the Board of Directors.
Conversion to Common Stock:	At holder's option and automatically on (i) IPO or (ii) approval of a majority of Preferred Stock (on an as-converted basis) (the "**Preferred Majority**"). Conversion ratio initially 1-to-1, subject to standard adjustments.
Voting Rights:	Approval of the Preferred Majority required to (i) change rights, preferences or privileges of the Preferred Stock; (ii) change the authorized number of shares; (iii) create securities senior or pari passu to the existing Preferred Stock; (iv) redeem or repurchase any shares (except for purchases at cost upon termination of services or exercises of contractual rights of first refusal); (v) declare or pay any dividend; (vi) change the authorized number of directors; or (vii) liquidate or dissolve, including a Company Sale. Otherwise votes with Common Stock on an as-converted basis.
Drag-Along:	Founders, investors and 1% stockholders required to vote for a Company Sale approved by (i) the Board, (ii) the Preferred Majority and (iii) a majority of Common Stock [(excluding shares of Common Stock issuable or issued upon conversion of the Preferred Stock)] (the "**Common Majority**"), subject to standard exceptions.
Other Rights & Matters:	The Preferred Stock will have standard broad-based weighted average anti-dilution rights, first refusal and co-sale rights over founder stock transfers, registration rights, pro rata rights and information rights. Company counsel drafts documents. Company pays Lead Investor's legal fees, capped at $30,000.
Board:	[Lead Investor designates 1 director. Common Majority designates 2 directors.]
Founder and Employee Vesting:	Founders: [________]. Employees: 4-year monthly vesting with 1-year cliff.
No Shop:	For 30 days, the Company will not solicit, encourage or accept any offers for the acquisition of Company capital stock (other than equity compensation for service providers), or of all or any substantial portion of Company assets.

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Critical legal " Red Flags" for investors

- **Informal business arrangements:** A lack of formal, written contracts with key customers or suppliers can stall a deal.
- **Ongoing litigation:** Unresolved legal cases or significant compliance concerns are high-priority risks for investors.
- **Complex governance:** Hidden liabilities, restrictive covenants, or overly complex shareholding structures that are not "clean".
- **Regulatory non-compliance:** Lapses in tax filings or missing industry-specific licenses across all jurisdictions where the company operates

Preparation best practices for success: Maximizing value through legal readiness

- **Organized Data Room:** Ensure all legal documents (from land titles to patent filings) are up-to-date, accurately named, and indexed.

- **Engage Specialist Advisors:** Use experienced lawyers early to ensure deal terms are legally sound and "investible".

- **Standardized Document Versions:** Always maintain and upload the latest versions of contracts to prevent confusion during the execution and closing phase.

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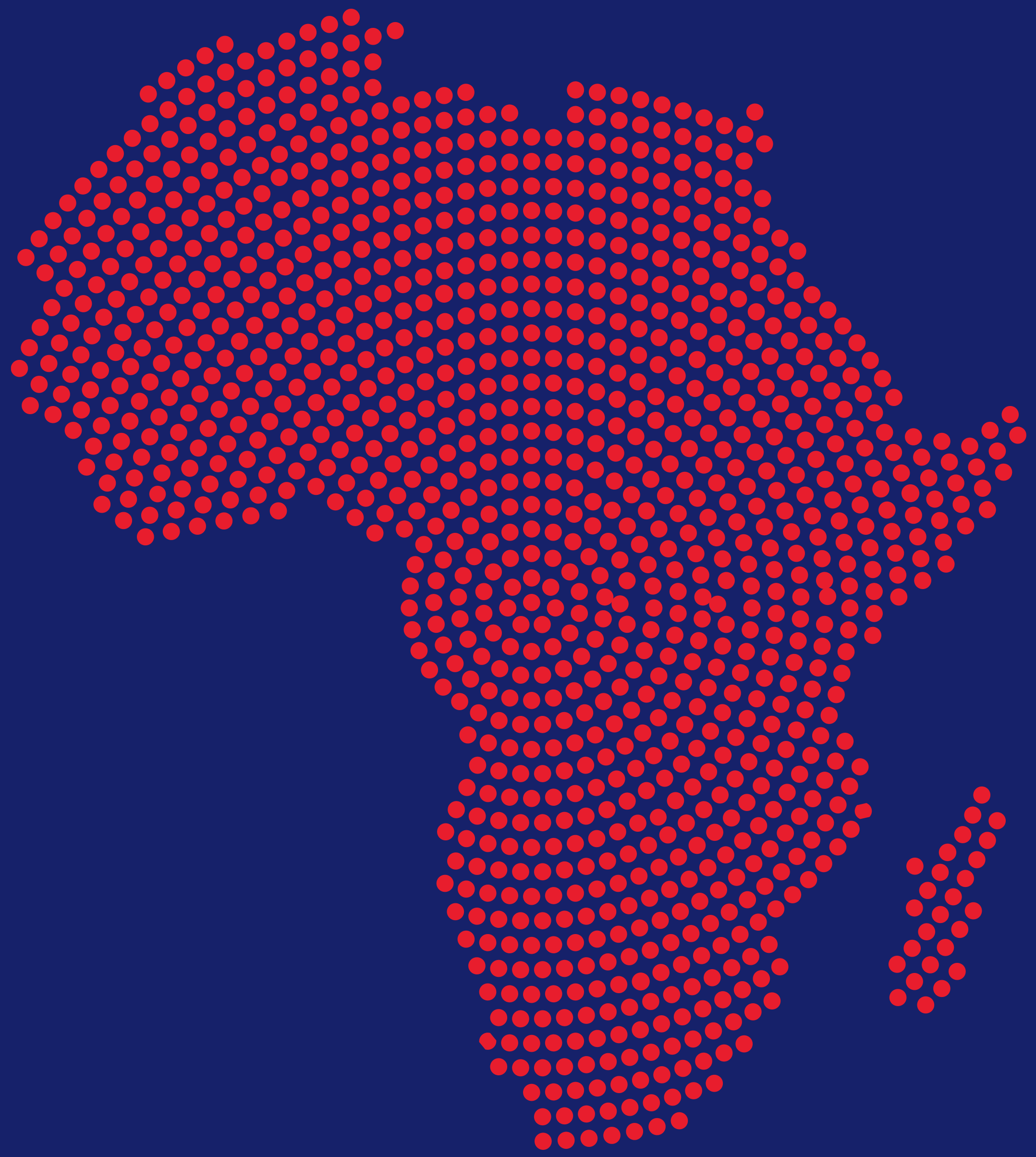
Today's Panel



Deepa Doshi, CFA

BDO East Africa Partner Deal Advisory and Kenya Country Manager| Manufacturing Africa

Corporate finance and due diligence professional with over **30 years' experience** advising businesses and investors across emerging markets.

Deepa plays a pivotal role in leading East Africa's **investment momentum**, including through the UK-funded Manufacturing Africa programme

Previous experience includes leadership roles in corporate finance, transaction advisory and due diligence across:

» Cross-border advisory roles supporting private equity and strategic investors in Africa

John Maingi

Investment Manager | British International Investment

Impact investment professional with over **11 years' experience** across financial services, spanning **investment banking**, **private equity** and **development finance.**

At BII, John is tasked with **deploying capital** for high impact decentralised renewable energy and grid connected projects in Africa that demonstrate **high development impact.**

Previous experience includes leadership roles in investment, strategy and corporate development at:
» Standard Bank Group – Corporate and Investment Banking
» Everstrong Capital and Financing Alliance for Health – Investment, strategy and fundraising roles

Rosa Nduati-Mutero

Managing Partner| Anjarwalla & Khanna,

Corporate law and governance professional with extensive experience advising businesses and investors on **mergers and acquisitions**, **corporate structuring** and complex transactions across East Africa

Rosa leads **high-value transactions** and **governance frameworks** between investors and business.

Previous experience includes leadership roles in investment and legal advisory in:

» Regional and cross-border mandates advising on M&A, ESG and regulatory framework

Ashish Patel

Managing Partner-Credit | Aavishkaar Capital

Corporate finance and investment professional with over **20 years' experience** advising, investing in, and scaling businesses across global and emerging market

He leads the Africa market at Aavishkaar Capital and drives the Global Supply Chain Support Fund, with a focus on **deploying capital** into **high-growth businesses** across the region.

Previous experience includes leadership roles in investment, strategy and corporate development at:

» Aureos Capital – Managing Director, Sub-Saharan Africa

» Intel Capital – Managing Director, Europe