

# Managing strategic investors – rights & risks checklist

## Key risks and rights when taking strategic investment

Bringing a strategic (corporate) investor on board can unlock commercial synergies, accelerate growth, and open new markets. But it also introduces complexity – both in your cap table and your control dynamics. Here's what to get right.

### 1. Structuring the investment

- **Role in the round:** Are they leading, co-investing or following? Who's setting terms?
- **Commercial agreements:** Are any supply, intellectual property, joint venture or licensing deals contingent on the investment?
- **Valuation premium:** Are you trading equity for strategic value – does the pricing reflect this?
- **Wider syndicate impact:** Will their involvement affect interest from financial VCs?

### 2. Governance & rights – know what you're granting

- **Board representation:** Is a board seat proportionate to their stake and aligned with founder/VC governance?
- **Observer rights:** Are they necessary? Should information flow be limited to commercial not strategic matters?
- **Reserved matters/veto rights:** Avoid business-restricting vetoes (e.g. on exits, customer relationships or capital raising).
- **Information rights:** Scope and frequency of reporting – watch for overreach or misuse risk.

### 3. Exit and lock-in considerations

- **Drag/tag rights:** Ensure clean exit mechanics. Avoid blocking rights that stall a sale.
- **Right of first refusal (ROFR):** Watch for rights to buy shares or assets that deter other bidders.
- **Change of control/anti-competitive triggers:** Ensure you're not handing them a walkaway clause or veto on a future acquirer.
- **Lock-ins/non-competes:** Balance strategic interests with founder/investor flexibility.

### 4. Operational & intellectual property risk management

- **Intellectual property ownership:** Clearly separate any IP shared under commercial arrangements from core company IP.
- **Confidentiality & data sharing:** Contractually limit how they can use information – especially if a competitor.
- **Non-exclusivity:** Ensure your business can still work with other strategic partners or channels.

### 5. Market signalling & culture fit

- **Reputational impact:** Does their involvement positively signal market confidence – or raise red flags?
- **Cultural alignment:** Will they support founder vision, or slow decision-making and innovation?

### 6. Due diligence on the strategic

- **Motivation check:** Are they here to help you grow – or primarily to secure a competitive advantage?
- **Long-term objectives:** What's their likely strategy – exit-focused or integration-focused?
- **Previous investments:** Have they backed competitors or exited prior investments cleanly?

## Final thoughts

Strategic investors can be transformative – but they come with a different mindset than financial backers. The right one will help you scale faster, open doors and align for the long term. The wrong one may limit future flexibility or slow you down at critical moments. As with any deal, timing, structure and control matter.

## Let's talk

If you're considering a strategic investor, we can help you balance growth opportunities with legal protection.

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*Pragmatic legal advice for ambitious founders*



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