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What Does "Investor Ready" Actually Mean? A Founder's Guide to Legal Readiness Before You Raise

September 18, 2026 · By Rory Ovedje, Esq., Habeeb Olayinka, Esq. & Rahman Alarape · 9 min read

What Does "Investor Ready" Actually Mean?

Most founders hear "investor ready" and think about the pitch: a sharp deck, a defensible market size, a financial model that doesn't fall apart under questioning. That's part of it but it's not the part that kills deals.

The deals that stall or die usually don't die because the founder couldn't tell a good story. They die — or get renegotiated at a worse valuation — because something surfaced during due diligence that nobody had looked at before the term sheet was signed. Shares that were promised verbally but never issued. A co-founder who left two years ago and technically still owns 30% of the company. Code written by a contractor who never signed an IP assignment.

None of that shows up in a pitch meeting. All of it shows up in a data room.

The direct answer

Being investor ready means your business can survive scrutiny, not just attract interest. It has two components:

- Commercial readiness — a credible story, traction, and a financial model that holds up.
- Structural readiness — a company that is properly incorporated, properly owned, properly documented, and free of the kind of legal gaps that create risk, delay or renegotiation once an investor starts checking.

Most fundraising advice focuses entirely on the first. This article is about the second, because it's the one that founders discover too late.

Investor Interest is not the same as Investor Readiness

There's a gap between getting an investor interested and getting an investor to actually wire money, and that gap has a name: due diligence.

A founder can get a great first meeting, a term sheet, even a verbal commitment, all on the strength of the pitch. None of that is binding. What happens between the term sheet and the wire transfer is where the deal is actually tested.

Investor interest !’ investor diligence !’ investor confidence !’ investment.

Each stage requires something different. Interest is earned by the story. Confidence is earned by

what the story is built on. If the legal and corporate foundation don't match the pitch, the investor won't necessarily walk away, but they will slow down, ask for warranties and indemnities you didn't expect, cut the valuation, or restructure the deal to protect themselves against the risk they just found. An investor may like your product and still walk away after due diligence, or come back with a very different offer.

What Investor Readiness Actually Covers

Not every issue applies to every startup, and not every gap is a dealbreaker on its own. But these are the areas that consistently surface during diligence.

1). Corporate Structure And CAC Records

Is the company actually incorporated the way everyone assumes it is? Are the CAC filings current — directors, registered address, share capital — or has the paperwork fallen behind what's actually happening in the business? Under CAMA 2020, private companies must have a minimum issued share capital of ¦100,000, and — unlike the older regime — shares generally can't sit "authorised but unissued" as a reserve for later. If you're planning to create an option pool or issue new shares to an investor, that usually means a formal increase in share capital and proper allotment, not just an internal spreadsheet update. A cap table that hasn't kept pace with the company's actual filings is one of the most common gaps investors find.

2). Ownership and the cap table

Who actually owns what — on paper, not in conversation? Founder ownership, early advisor grants, any informal "you'll get equity for this" arrangements: if it isn't documented and reflected in the company's statutory records, it isn't real from an investor's perspective. Undocumented equity promises are one of the most common reasons deals get delayed at diligence.

3). Founder and shareholder agreements

Is there a shareholders' agreement governing what happens if a co-founder leaves, wants to sell shares, or stops contributing? Without one, an investor is stepping into a company where the relationship between the people who control it is entirely undocumented — which is a risk they'll price in or push back on.

4). Intellectual property ownership

Does the company actually own its core technology? If a contractor, agency, or early technical co-founder built part of the product without a signed IP assignment, the company may not have clean title to the thing it's raising money to scale. This is one of the fastest ways to stall a deal, because it's not always fixable quickly.

5). Commercial contracts

Are customer and vendor agreements properly documented, or running on emails and verbal understandings? Investors read contracts to understand revenue durability and exposure — not just that revenue exists.

6). Data protection compliance

If the business processes personal data — which most digital and fintech businesses do — the Nigeria Data Protection Act 2023 is relevant. Businesses that qualify as data controllers or processors "of major importance" (broadly, organisations processing personal data of more than 200 data subjects within six months, among other thresholds set by the NDPC) face specific obligations: registering with the Nigeria Data Protection Commission, appointing a data protection officer, keeping records of processing activity, and notifying the NDPC of qualifying breaches within 72 hours. Not every early-stage startup meets these thresholds, but investors in data-driven businesses increasingly ask the question directly — and "we haven't looked into it" is a worse answer than a clear one either way.

7). Employment and contractor documentation

Are the people building the company actually engaged on proper terms — employment contracts, contractor agreements, IP and confidentiality clauses? Gaps here create both legal exposure and diligence friction.

8). Regulatory and sector-specific compliance

Fintech, healthtech and other regulated sectors carry licensing or registration obligations that go beyond general company law. A startup operating in a regulated space without the right registrations isn't just facing legal risk — it's facing a diligence process that will surface the gap regardless.

Why this matters commercially, not just legally

None of this is about compliance for its own sake. It's about what happens to the deal.

A messy cap table doesn't just look untidy, it raises the question of what else hasn't been documented properly. An investor who finds one unresolved issue doesn't assume it's isolated; they assume there might be more, and they widen the diligence scope to check. That costs time. Time costs momentum. Momentum, in fundraising, is not free — a stalled round is harder to close than a fast one, and every week of delay is a week of competing rounds, changing market conditions, or investor attention spans can work against you.

The founders who raise cleanly aren't necessarily the ones with the best product. They're often the ones who removed friction from the process an investor has to go through to say yes.

A practical starting checklist

Before you assume you're ready to raise, you should be able to answer yes to most of these:

- CAC records (directors, shareholders, registered address, share capital) match what's actually true today
- Every shareholder's equity is documented and reflected in statutory records — no verbal promises outstanding
- A shareholders' agreement exists and covers founder exit, transfer restrictions, and decision-making

- All core technology has a clear, documented chain of IP ownership
- Key customer and vendor relationships are governed by signed contracts, not email threads
- You know whether the business meets NDPC's "major importance" thresholds, and you've made a decision either way — not left it unexamined
- Employment and contractor arrangements are documented, not informal
- Any sector-specific licensing requirement has been identified and addressed or has a clear plan

If you're answering "I think so" or "probably" to more than one or two of these, that's the gap an investor's due diligence team will find.

Common mistakes founders make

Treating investor readiness as something you do after the term sheet. By the time an investor asks for the data room, you're reacting under deadline pressure instead of preparing on your own timeline.

Assuming a lawyer was involved somewhere, so it must be fine. Incorporation documents drafted years ago by a different lawyer, for a different stage of the business, often don't reflect where the company is now.

Confusing "we have contracts" with "we have the right contracts." A signed agreement that doesn't actually assign IP, or that has no confidentiality obligations, provides less protection than founders assume.

Leaving co-founder and equity issues undocumented because the relationship is currently good. Diligence doesn't care whether the relationship is good today. It cares whether it's documented.

When self-help isn't enough

Founders can incorporate a company, draft a basic contract template, or read through CAC's filing requirements themselves. Where it gets harder is knowing which gaps are cosmetic and which ones will actually stop a deal, and fixing the structural ones (share allotment, IP assignment, shareholder agreements) properly usually takes legal drafting, not a template.

Investor readiness does not begin when an investor asks for your data room. By then, you may already be late. Some of these issues, like unresolved IP ownership or a co-founder dispute, take weeks or months to fix properly, not days.

Where Leap Wise fits

Leap Wise LP's Investor Readiness Review looks at a business the way an investor's due diligence team eventually will — corporate structure, cap table, IP ownership, contracts, and relevant compliance — and identifies the gaps before they become a reason to slow down or renegotiate a deal.

Preparing to raise? Start by understanding what investors may examine beyond your pitch deck.

FAQ

Is investor readiness the same as being "fundable"? No. Fundability is about whether investors

want to invest in the opportunity. Investor readiness is about whether the business can withstand the scrutiny that comes after they say yes. You can be fundable and not yet ready.

Do early-stage (pre-seed) startups really need to worry about this? The stakes are smaller, but the gaps are often bigger, because early-stage companies are the most likely to have informal equity arrangements, undocumented IP, and CAC records that haven't been updated since incorporation. Fixing these early is cheaper than fixing them under deal pressure.

Does every startup need to register with the NDPC? No. It depends on the scale and nature of data processing. But every startup handling personal data should have made a deliberate assessment of whether it meets the NDPC's thresholds, rather than leaving the question unexamined.

How long does it take to become investor ready? It depends on how many gaps exist and how old they are. Straightforward documentation gaps can sometimes be resolved in weeks. Ownership disputes or unresolved IP issues can take considerably longer, which is why this is worth starting before a term sheet is on the table, not after.

___ Preparing to raise? Start by understanding what investors may examine beyond your pitch deck. Talk to Leap Wise LP about an Investor Readiness Review.

Read online: https://leapwiselp.com/blog/what-does-investor-ready-actually-mean-a-founder-s-guide-to-legal-readiness-before-you-raise
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