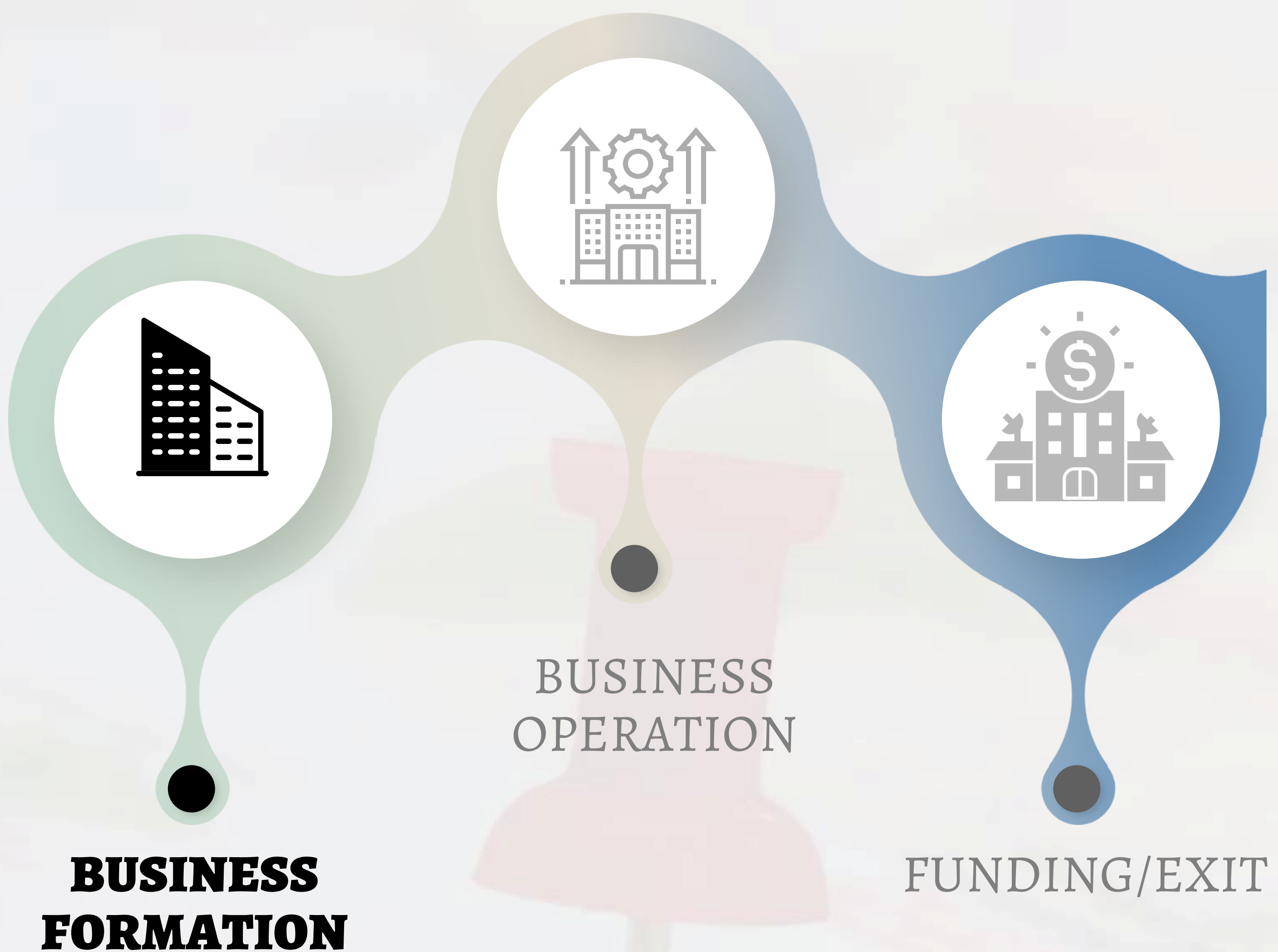


ROADMAP FOR TECH STARTUPS LAUNCHING IN NIGERIA

(PART 1)



Detail

Part 1 - Business Formation

Agreeing the Fundamentals

1 Equity: Where the start-up has more than one founder, the sharing ratio of the equity of the start-up should be agreed among the founders. This decision could be based on metrics including cash/assets contributed, risks taken and technical know-how that is being contributed by each founder. The founders may also decide that ownership of some portion of the equity will vest upon the founders meeting agreed KPIs.



2 Role of the Founder(s): The founders should be clear on their respective roles within the start-up. This will include deciding who will be executive or non-executive directors and those that will take up roles as employees.



3 Founder Compensation: A founder's compensation will typically depend on the role of the founder in the company. This could take the form of salary or deferred equity. It is important to decide on the value of compensation and terms for the review of compensation packages.



4 Founder Exit: It is essential that the founders agree on the procedure for exiting the start-up. This ensures that institutional and technical knowledge is retained and equity value is protected.



5 Start-Up Sale: To avoid future disagreements and friction, it is important, at business inception, to agree on the procedure for making decisions on selling the start-up.



6 Intellectual Property (IP) Protection: Secure IP registrations in the name of the start-up before going to market with any product, and transfer IP rights that existed before incorporating the start-up to the start-up.

Incorporation Considerations

7 Business Structure: A business in Nigeria may operate as a Business Name (Sole Proprietor or Partnership) or a Company. It is advisable for tech start-ups to operate as a limited liability company in order to easily secure funding, facilitate expansion and limit the liability of shareholders.



9 Business Activities/Scope: Some business objects may require that the start-up acquires an approval/conditional license from the relevant regulatory body during the incorporation of the company. If the sector of the economy which the tech start-up intends to operate is highly regulated, it is important to comply with the requisite regulations and monitor regulatory updates within that sector.



8 Name of the Tech Start-Up: In selecting a name for a start-up, the founder(s) should ensure that the name does not conflict with an existing name or trademark and has no domain name problems. If the name of tech start-up is same as the name of the tech product offered, the start-up may consider registering the name and logo as a trademark.



10 Share Capital: For the share capital of the start-up, founders should consider: the amount of capital needed to commence business operations in the tech start-up; regulatory requirements on mandatory minimum share capital based on the business activities of the start-up; and whether the tech start-up intends to raise funds in the future through shares and intends to have foreign investors in the future or at the time of incorporation.

Documenting the Fundamentals

Shareholders/ Founders Agreement

01

This will regulate the relationship between the founders, including the fundamentals listed above and agreed among the founders.

This will clearly define the roles and responsibilities of the directors and the functions of the respective board committees.

02

Board Charter

Intellectual Property Transfer Agreement

03

This will enable transfer of the ownership of intellectual property rights from whomever it resides to the start-up upon incorporation.

This provides and regulates how and when benefits (e.g. equity) will vest in a party (founders or early employees).

04

Vesting Agreement



**Look out for Part 2 (Business Operation)*

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