

BVCA model documents for early stage investments updated

The British Venture Capital Association has revised its standardised documents for early stage venture capital investments. Marriott Harrison are part of the BVCA's working group and we are pleased to have contributed to these documents. The documents can be located [here](#).

The 2023 versions of the documents, which these 2025 versions replace, received significant updates after nearly a decade of the previous iterations. The updates to the 2025 versions are more incremental and reflect that the 2023 versions have been widely adopted in market since their launch.

While the new documents by their nature do not reflect any party's preferred position in all respects, we are confident they provide a fair balance and will help with ensuring efficiency in fundraising transactions. A summary of the key changes is set out below:

Subscription Agreement

- **Completion mechanics:** A short form alternative to the normal completion mechanics has been added, to be used where the expectation is that 100% of funds will be received prior to Completion. The protections are less fulsome than the normal completion mechanics and so may not be appropriate in all circumstances.
- **Regulatory actions:** Added an optional provision that if the transaction may be the subject of a regulatory investigation or is called in under the National Security and Investment Act 2021, the Company undertakes to execute documents and provide assistance to the Investors as may be reasonably required by the Investors or required by the regulatory body.
- **Warranties:** Revised the intellectual property, business systems and data protection warranties, including adding new definitions of Know How and Patents. Added AI and insolvency warranties.

Shareholders' Agreement

- **Strategic investors:** Added optional language to be considered for inclusion in relation to strategic (i.e. non-financial investors) only, allowing the Board to restrict access to information for strategic investors in certain instances.
- **Indemnification:** Added optional language in which the Company undertakes to enter an indemnification agreement with the Investor Director, or alternatively, indemnifies the Investor Director directly.
- **EIS/VCT:** Reworded the optional EIS / VCT undertakings to add optional language making the undertakings subject to the fiduciary duties of Directors.
- **Other investment opportunities:** Added new clauses clarifying that Investors are not precluded from investing in companies which compete with the Company, provided there is no disclosure of Company confidential information, and that Investors are not obligated to present investment opportunities to the Company.

- **Undertakings:** Company undertakings have been added/updated relating to anti-bribery, anti-money laundering, anti-tax evasion, sanctions, governance and financial policies and procedures.

Articles

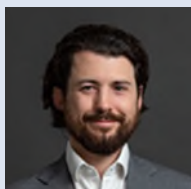
- **Bad Leaver:** Removed the limb of the “Bad Leaver” definition (that was in square brackets) which said that *resignation as a Service Provider [at any time during the Relevant Period] except in circumstances which constitute a constructive dismissal* is a Bad Leaver event. In practice, the working group’s experience is that resignation is rarely a Bad Leaver event, and where an Investor insists on it being a Bad Leaver event, this is usually called out in the term sheet.
- **Liquidation preference:** There have been clarificatory changes to how the liquidation preference works, which reflect how the liquidation preference was being applied in practice. In addition, the waterfall now provides that the Board acting reasonably and in good faith with Investor Majority Consent may determine what exchange rate shall apply with respect to any amounts designated in difference currencies. The liquidation preference for EIS/VCT investors has also received a significant overhaul in terms of language used, but the practical implications of the liquidation preference remain largely the same.
- **Anti-dilution:** Added language that was widely used in market to clarify how the anti-dilution protection works where the

Series A share class has shares with different Starting Prices (e.g. where Series A shares are held on conversion of convertible securities). It is now also clear that the Investor Majority may waive the anti-dilution protection in whole or in part, e.g. the anti-dilution protection may be waived on a funding round in respect of the conversion of convertible securities at a discount only, such that the shares issued on conversion are deemed issued at the non-discounted price for the purposes of the anti-dilution protection.

- **Sanctions:** Added that the Company shall not allot or issue New Securities to a Sanctioned Person. New provisions have been added restricting transfers of shares to a Sanctioned Person. Added provisions allowing the Board to require a Shareholder to furnish information to demonstrate they are not a Sanctioned Person, and transfer provisions where the Board determines on the advice of legal counsel that a Shareholder is a Sanctioned Person.

Many of the new provisions are already in use by Marriott Harrison and other firms on the working group and we expect a quick uptake in the new documents. The publishing of these new documents presents an opportunity for investors to revisit their templates and make positions contrary to the new documents clear in their term sheets.

Please contact Marriott Harrison if we can assist you by presenting a deep dive into the new documents or with updating house templates.



David Strong

Head of Venture Capital and leading UK specialist in venture financing and corporate technology

Partner, Marriott Harrison

+44 (0) 20 7209 2024

david.strong@marriottharrison.co.uk
[LinkedIn](#) | [MH profile](#)



Bradley Heath

Corporate transaction specialist with expertise in venture capital, corporate technology and private M&A

Senior Associate, Marriott Harrison

+44 (0) 20 7209 2026

bradley.heath@marriottharrison.co.uk
[LinkedIn](#) | [MH profile](#)