

NACO Workshop-Structuring Deals and Term Sheets

On March 29th, SaskInteractive attended a workshop hosted by Saskatchewan Capital Network and NACO about structuring deals and term sheets. The audience for this workshop was angel investors but was also great information for businesses looking for angel investment. It showed investments from the investor perspective, giving insight into why investors take some of the steps they do.

The workshop was full of great information for investors and people seeking capital alike but here are the big takeaways.

Term Sheets:

- expression of interest from an investor to an entrepreneur that works to align both parties
- not a one-size-fits-all and will require tweaking
- not legally binding; becomes formal and legally binding in Subscription and Shareholders Agreement
- key to investor's return and risk management while giving direction to the entrepreneur
- shouldn't go on for long periods of time; is onerous and can get emotional which can effect timelines and the investor-entrepreneur/company relationship

Two Common Forms of Equity:

1. Common Shares:

- great relationship builder for investor-entrepreneur relationship
- can be a little more advantageous for the company as it can lack protection for the investor

2. Preferred Shares:

- provides quite a bit of protection for the investor and their returns
- very complex which can complicate future investment rounds and can misalign entrepreneur and investor

Two Common Forms of Convertible:

1. Convertible Loan:

- quick, flexible, and defers valuation discussion
- investors are not shareholders but lenders which gives them less input

2. SAFE:

- simple, fast, and very favourable for the company; the equivalent of a paper handshake
- open-ended and risky for investors (no protection)

There was much more valuable information at the workshop and available at their website. If you're interested in this specific workshop, it's also offered as a module in the 'NACO Academy.' Their website offers a number of resources for investors and entrepreneurs alike and so please visit NACO's website <https://www.nacocanada.com> to explore all the available resources.