

Contracts for Investors

Coaching Questions

Is there any other place to get funding?

- Grants. Okay, we didn't include this in the funding options, but more and more there are grants for both nonprofits and forprofits that are making a social or ecological impact. So we shouldn't ignore that this is now available. In fact, most foundations are looking for the outcomes rather than the structures of who they are funding. So looking at this as an option is a good idea.
- Government grants are continuing to expand as the government invests in self-employment of its population to boost the economy. There are also government grants for innovation, which can be technology but also process improvement. There is often political and government support to enter new international markets as well. So this is worth investigation.
- Crowdfunding is a newer form of funding, but it has grown substantially. You are able to list your business idea on one of the many platforms out there (kickstarter.com as an example) and have individuals fund you through the early purchase of a product or even a quirky thing like having a character in a video game look like them. Many governments are beginning to regulate crowdfunding and turn it into an equity investment.

What happens if it doesn't work out?

- Contracts are designed to protect all of the parties when things go badly. When things go well, everyone is usually somewhat happy. In theory, if this works out than everyone should be making money.
- When you are designing the contract, always think about the worst-case scenarios. Think about if you are in severe disagreement with the other parties. Imagine that things have gone badly when thinking through the clauses and negotiating.

What happens if I like one investor versus another?

Business is more emotional than we'd like to admit sometimes. But when working with anyone as a partner (or an investor) there are three things you need to be 100% about.

- **Trust.** You need to trust your partner or investor. This needs to be 100%. You don't want to be worried that someone will fudge the numbers, proactively fight over the contract, or that they might sabotage your initiative in any way. You need to be sure that you can trust them, regardless of how much a contract is supposed to protect you.
- **Competence.** You need to believe that your partner or investor is capable. If they are not capable in your eyes, why would you want them to be part of your venture? Your investors and partners impact your brand. You need to make sure that you know that they can do what they say they can do.
- **Vision.** They need to have the same goal as you. As long as you have the same vision, you are able to work together in a cohesive manner. The moment that your goals are no longer aligned, it is always hard to work with someone. That is why some investors are better at different stages as well, as their firm's goals are to move an organization through that stage. Pay attention to this throughout the journey of your relationship.

Who gets paid at the end of the day?

- If things go well, everyone should be paid. Often this is difficult for an entrepreneur as you have put in the most amount of sweat equity. So a big part of the agreement that you have with an investor is around the other relationships and expertise that they bring to the table. You want to have some of this spelled out so that you get more than just the investment value out of them. Doing regular checkins on the investment will happen, but consider having regular checkins on the other parts of the agreement that you have in place. Have they been bringing appropriate business to you that was anticipated or agreed upon? Are both parties bringing the agreed upon value to the table?
- If things don't go well, as the entrepreneur you should simply not expect to be paid. The entrepreneur is usually the last one to get their money out. And why wouldn't that be the case? The entrepreneur has the most amount of input of whether the venture takes off. And as an entrepreneur, the easiest investment in the world should be yourself. You know exactly what you are capable of, you trust yourself, and you have the same vision.