

Instructions for Filling the Revenue-Based Financing Agreement Template

IMPORTANT LEGAL DISCLAIMER: These instructions and the accompanying template are for informational purposes ONLY and DO NOT constitute legal advice. RBF agreements are complex. You MUST consult with independent, qualified legal counsel licensed in your jurisdiction before using or adapting this template or these instructions. The examples provided are illustrative and may not be suitable for your specific transaction. Relying solely on this information could have significant negative legal and financial consequences.

This guide explains the information needed for each placeholder, typically shown in brackets like `[Placeholder Text]`, within the RBF Agreement template. Examples are provided for clarity but should be adapted based on your specific negotiated terms and legal advice.

1. Preamble (Page 1 - Introduction)

Effective Date

- `[Date, e.g., April 18, 2025]` : Enter the date the agreement becomes legally effective.
- *Example: "June 1, 2025"*

Company Information

- `[Company Full Legal Name]` : The precise, registered legal name of the company receiving funds.
- *Example: "Innovate Solutions Inc."*
- `[State of Incorporation/Organization, e.g., Delaware]` : The US state where the company is legally registered (e.g., incorporated or formed as an LLC).
- *Example: "Delaware"*
- `[Entity Type, e.g., corporation, limited liability company]` : The company's legal structure.
- *Example: "corporation"*
- `[Company Address]` : The full street address of the company's main office.

- *Example: "100 Tech Park Drive, Suite 200, Anytown, TX 75001"*

Investor Information

- [Investor Full Legal Name] : The precise, legal name of the investing person or entity.
- *Example: "Growth Capital Fund III, LP" or "Jane Smith"*
- [State of Incorporation/Organization/Residency, e.g., New York] : The US state where the investing entity is formed or the individual investor legally resides.
- *Example: "Delaware" (for the fund) or "California" (for Jane Smith)*
- [Entity Type or "individual"] : The investor's legal structure.
- *Example: "limited partnership" or "individual"*
- [Investor Address] : The full street address of the investor.
- *Example: "500 Finance Street, 10th Floor, Big City, NY 10002"*

2. Recitals (Background)

- [Brief Description of Company's Business] : A short (1-2 sentence) summary of the company's primary activities.
- *Example: "developing and selling eco-friendly packaging materials for the food industry"*

3. Article 1: Definitions

This section defines key terms used throughout the agreement. Accuracy here is critical.

- [City, State, e.g., New York, New York] (in "Business Day"): The location determining which public holidays are observed (often a major financial center or location of one party).
- *Example: "Chicago, Illinois"*
- [Date, e.g., May 1, 2025] (in "Closing Date"): The deadline for the Investor to provide the funds.
- *Example: "June 15, 2025"*
- [\$ Amount, e.g., \$100,000.00] (in "Funding Amount"): The exact dollar amount being invested.
- *Example: "\$150,000.00"*
- [State, e.g., Delaware] (in "Governing Law"): The state whose laws will be used to interpret the contract. **Crucial legal decision – consult your lawyer.**

- *Example: "Delaware" or "New York"*
- [Day, e.g., 15th] (in "Payment Date"): The day of the month payments are due.
- *Example: "20th"*
- [Date, e.g., June 15, 2025] (in "Payment Date" - first payment): The date the very first payment is due (usually the specified day in the month after closing).
- *Example: "July 20, 2025"* (if Closing Date is in June and Payment Date day is the 20th)
- [Multiple, e.g., 2.0x] (in "Repayment Cap Multiple"): The multiplier applied to the Funding Amount to calculate the total payback. **A key negotiated term.**
- *Example: "1.75x"*
- [\$ Calculated Amount, e.g., \$200,000.00] (in "Repayment Cap"): The calculated total repayment amount (Funding Amount * Repayment Cap Multiple). Ensure the calculation is correct.
- *Example: "\$262,500.00"* (for \$150k funding at 1.75x)
- [Percentage, e.g., 4.0%] (in "Revenue Percentage"): The percentage of "Revenue" paid each period. **A key negotiated term.**
- *Example: "5.0%"*
- "Revenue" Definition and [Common Exclusions...]: **This is one of the MOST critical definitions. Consult your lawyer.** Clearly define what counts as "Revenue" (usually Gross Revenue) and list SPECIFIC, unambiguous exclusions.
- *Example Exclusions: "(i) sales returns, refunds, and chargebacks actually credited or paid; (ii) sales, VAT, GST, or similar taxes collected for remittance to government; (iii) actual shipping and insurance costs billed separately to customers; (iv) credit card or payment processor fees directly related to the revenue."*
- [Include if secured...] (in "Security Agreement"): Only relevant if the RBF is secured by collateral. If so, it refers to a separate Security Agreement document. If unsecured, delete or mark N/A.

4. Article 2: The Financing

- [Optional: Specify particular uses...] (in "Use of Proceeds"): If the investor requires funds to be used for specific purposes, list them here. Otherwise, keep it general or remove the specific examples.
- *Example: "for purchasing specific manufacturing equipment detailed in Exhibit A and hiring two new sales representatives."*

5. Article 3: Repayment Obligation

- [Day, e.g., 10th] (in Calculation and Payment): The deadline each month for the Company to provide the Revenue Report for the prior month.
- *Example: "10th"*
- [Method, e.g., ACH transfer, wire transfer] : How payments will be made electronically.
- *Example: "ACH transfer to the account specified in Exhibit B"*
- **Prepayment Options** ([Option 1...], [Option 2...], [Option 3...]): **Negotiate and select ONLY ONE option.** Delete the text for the options that are not chosen.
- *Example: If prepayment is allowed with a 3% fee, keep Option 2, fill in the percentage, and delete the text for Option 1 and Option 3.*
- [Percentage, e.g., 5%]` (in Prepayment Fee): If using Option 2, specify the fee percentage. Otherwise, delete this.
- *Example: "3%"*

6. Article 4: Reporting and Access

- [Number, e.g., 30]` (Quarterly Reporting Deadline): Days after quarter-end to provide financials.
- *Example: "45"*
- [Number, e.g., 90]` (Annual Reporting Deadline): Days after year-end to provide financials.
- *Example: "120"*
- [or Reviewed, or Unaudited...]` (Level of Annual Financials): Negotiate the required level of review (Audited, Reviewed, or Management Prepared/Unaudited). Affects cost and reliability.
- *Example: "Reviewed"*

7. Article 6: Covenants (Company's Promises)

These are ongoing promises the Company makes during the agreement term.

- [Optional - Negotiable: Not incur... \$[Amount, e.g., \$50,000]]` (Debt Limitation): If restricting other debt, specify the maximum allowed without investor consent.
Negotiate based on business needs.
- *Example: "\$100,000"*

- [Optional - Negotiable: Not create... except for permitted liens...]` (Lien Limitation): If restricting liens (claims on assets), carefully define "permitted liens" (exceptions). **Requires legal advice.**
- *Example Definition of Permitted Liens: "(i) Liens for taxes not yet due; (ii) existing liens disclosed in writing; (iii) purchase money liens on equipment securing debt up to \$50,000 aggregate."*

8. Article 7: Events of Default

- [Number, e.g., 5]` (Payment Default Cure Period): Grace period in Business Days after notice for fixing a missed payment.
- *Example: "5"*
- [Number, e.g., 15]` (Covenant Breach Cure Period): Grace period in calendar days after notice for fixing other breaches.
- *Example: "30"*
- [Optional - Often Heavily Negotiated: Occurrence of any event...]` (Material Adverse Change): Define carefully or remove. **Very subjective and often disputed if not well-defined. Consult lawyer.**
- [Default Percentage, e.g., 10.0%]` (Remedies): The increased Revenue Percentage applied after a default occurs.
- *Example: "8.0%"* (if the standard rate was 5%)

9. Article 8: Security Interest [OPTIONAL]

Include this entire Article **only if** the financing is secured by company assets (collateral). This requires a separate, detailed Security Agreement and UCC filings. If unsecured, delete this entire article.

10. Article 9: Governing Law and Dispute Resolution

- [State, e.g., Delaware]` (Governing Law): Ensure this matches the state chosen in Definitions.
- **Dispute Resolution** ([Option 1: Litigation...] or [Option 2: Arbitration...]): **Choose ONE method** (Court Litigation or Binding Arbitration) and delete the other.

- If Litigation (Option 1): [City and State, e.g., Wilmington, Delaware] : Specify the city and state for the exclusive courts.
- *Example: "the federal or state courts located in Austin, Texas"*
- If Arbitration (Option 2): [Arbitration Body, e.g., American Arbitration Association (AAA)] : Name the arbitration organization.
- *Example: "JAMS"*
- If Arbitration (Option 2): [City, State, e.g., New York, New York] : Specify the city and state where arbitration will take place.
- *Example: "Palo Alto, California"*

11. Article 10: Miscellaneous

- [If applicable: together with the Security Agreement...] (Entire Agreement): Include the reference to the Security Agreement only if the deal is secured (Article 8 is used).
- Investor Assignment Rights ([Option 1: freely] , [Option 2: only with consent...] , [Option 3: only to an affiliate...]): **Negotiate and select ONLY ONE option** regarding the Investor's right to transfer the agreement. Delete the unused options.
- *Example: Select Option 3: "The Investor may assign its rights and obligations hereunder only to an affiliated entity or trust controlled by the Investor upon prior written notice to the Company."*

12. Signature Blocks

- Fill in the full legal names for the Company and Investor again.
- Ensure the correct authorized individuals sign the agreement.
- Print the names and official titles of the signatories clearly below the signature lines.
- [Company Full Legal Name] , [Signature] , [Name of Signatory] , [Title of Signatory, e.g., CEO, President]
- [Investor Full Legal Name] , [Signature] , [Name of Signatory or Investor Name if Individual] , [Title of Signatory, if applicable, e.g., Managing Partner]

Final Reminder: After filling in the details based on your negotiations and these instructions, the ENTIRE DOCUMENT MUST BE REVIEWED AND APPROVED by qualified legal counsel representing both the Company and the Investor before signing. Do not skip this step.