

Overview of Capital Funding Agreement Formats

Capital funding agreements are legal documents that outline the terms under which funding is provided to an entity for capital purposes. These agreements help define the relationship between the funder and the recipient, ensuring that the use of funds, repayment terms, obligations, and reporting procedures are clear to both parties.

Common Formats of Capital Funding Agreements

1. Loan Agreement

A Loan Agreement outlines the terms of borrowed funds, including the amount, interest rate, repayment schedule, collateral, use of funds, default provisions, and covenants.

2. Equity Investment Agreement

This document sets out the terms whereby an investor provides capital in exchange for ownership equity, specifying the number of shares issued, valuation, rights attached to the shares, and exit options.

3. Grant Agreement

Grant Agreements detail the provision of capital without repayment requirements, focusing on the purpose of funding, reporting standards, milestones, and recourse for misuse of funds.

4. Convertible Note Agreement

Convertible Notes are hybrid instruments defining the conversion of debt into equity on specified events or timelines, including conversion rate, maturity, and triggers for conversion.

5. Revenue Sharing Agreement

In this format, capital is provided in exchange for a percentage of future revenues, specifying calculation methodology, duration, caps, and reporting mechanisms.

Important Notes

- Ensure all terms and obligations are clearly outlined to prevent future disputes.
- Consult legal and financial advisors before finalizing any agreement.
- Clearly state the intended use of funds and requirements for reporting.
- Understand the implications of default and any potential penalties involved.
- Carefully consider ownership dilution or debt obligations based on agreement type.