Frequently Asked Questions

Can I speak to Lighter Capital by phone?

Part of being "lighter" is getting you the answers—and funding—you're seeking as quickly and easily as possible. We've designed our website to do just that. This page has answers to most common questions about our funding approach. And if it's capital you seek, simply apply online! It's the lightest and friendliest loan application around.

Do you offer seed funding for pre-revenue startups?

Our revenue-based financing model is best suited for companies that are currently generating at least $120,000 in annual revenue. If you're a pre-revenue startup, you can still apply online so that we can keep you on our radar. You can also sign up for our newsletter to stay in the loop on Lighter Capital and keep us in mind when you get further along proving your revenue model.

What type of companies do you fund?

Our revenue-based financing model is best suited for software, technology and knowledge-based companies. Entrepreneurs in these high-growth, high-margin markets will find our model to be an exciting new way to raise growth capital without giving up equity. Entrepreneurs in industries with inherently more assets (i.e. collateral) will general find that there are existing sources of capital for that are better suited for their needs. Those industries include real estate, food and beverage, manufacturing, construction and related services etc.

Do you only invest in certain geographies?

Currently, Lighter Capital funds US and Canadian companies. In the future we plan to begin offering funding to companies based outside North America. To stay in the loop on Lighter Capital and find out when we're expanding internationally, sign up for our newsletter.

How much funding can I get from you guys?

We're currently offering RevenueLoans ranging from $25k-$500k USD. The amount of funding you can qualify for is based in part on your growth rate, existing debt, use of funds, etc., but is generally around 10% to 30% of your company's annualized runrate. So if you are on track for $1M in sales this year, we can invest about $200k. More about RevenueLoans

How does Revenue-Based Financing work?

We created the RevenueLoan™ to be a light-weight and flexible financing option with entrepreneur-friendly terms. With no dilution, no loss of control, and no fixed repayment schedule, entrepreneurs can stay focused on growing their businesses.It works like a rev-share agreement. We lend $25k-$500k in capital to help grow your business. Your monthly loan payment is based on a percentage share of your monthly top-line revenue. If your revenues drop, so do your payments. This is ideally suited for early-stage companies that are generating sales, but need additional capital to take full potential of their opportunities and grow as fast as possible.The RevenueLoan is usually terminated when a predefined total repayment cap is reached, and we target a 1 to 5 year payback term, depending on your unique situation. If your revenues grow faster than plan, you pay back the loan a little faster; if they are slower, then your payback is slower. Revenue-based finance aligns us, the investors, with you, the entrepreneur in your sales growth goals – we want you to grow your business and never push for a quick exit. Apply for a RevenueLoan

Who needs Revenue-Based Financing (RBF), anyhow?

Entrepreneurs who've figured out a "money machine," but are cash-constrained as to how fast they can grow. VCs can only "swing for the fences" on

billion-dollar market opportunities. Banks want personal guarantees and/or hard assets as collateral. There's no middle ground; it's like saying you have to have an aircraft carrier, or else stay on terra firma. We want to help all kinds of corvettes, frigates, cigarette boats, catamarans, and hydrofoils make the journey to startup success.

Is RevenueLoan just a fancy way to say "factoring" or "receivables financing?"

No. Lighter Capital does Revenue-Based Financing (RBF), which means we give you unrestricted capital for growth, in return for a small percentage of future years' revenues. "Factors" or "receivables financiers" basically speed up the cash flow from sales that *already* happened (or are just about to happen). Compared to "factors," a RevenueLoan is a bigger amount for a longer time, is for growth instead of working capital, and comes with fewer restrictions and impositions on your workflow.

What do I owe in return?

We will look for a percentage of topline revenue (in the range of 1% to 10%). Generally, this is calculated and debited monthly via ACH. We also ask for a small stock warrant. For flexibility, we routinely set up two-tier structures, where we might take a higher rate until principal is repaid, then a lower rate thereafter.

If it's a Revenue "Loan," then what's the interest rate?

Unlike a normal "loan," the RBF model doesn't have a set payment amount each month. Instead, the payment due *floats with your revenue level*, such as 2% of topline revenue. So, if you beat your plan and grow faster, your "rate" goes up, but if you miss plan, your "rate" goes down.

But you asked about the rate, so we'll be straight with you: we want to earn about 25% IRR, on average.

Do I keep paying this percentage of topline revenue *forever*?

No. When we structure the RevenueLoan, we will set up either a target total payback cap, or some other option (see below) for terminating the RevenueLoan in a mutually acceptable way.

Can I pay back the RevenueLoan early?

Yes. While most RevenueLoans will be structured as multi-year investments, we include as a standard feature fair early buy-out clauses.

OK, I understand the return "cap" and the "rate" question. But isn't the cost of capital still high?

Yes. We're taking a lot of risk, and we think a high return is fair. But it's not so high that a business with solid margins and solid growth plan can't "beat" the rate. If you think about our model, you'll realize that we *only* want to invest in cases where the business can continue healthy growth even *after* paying our RBF percentage — because we're aligned with the entrepreneur on revenue growth.

What do I get besides just the money? Are you guys "adding value?"

Your average commercial bank won't add much if any value beyond the money — they have hundreds of loans outstanding. A typical VC will be on 4-8 boards and will spend a lot of time and energy helping (or trying to) with strategy, intros, recruiting, mentoring, etc. We're somewhere in the middle. Our team has a ton of experience with business development and with growing companies, so we will help any way we can, time and resources permitting. (We'll have 10-20+ investments per principal, so we'll have more time to give than a banker, and less than a VC.)

What's the straight dope on banks and VCs? I can always go to them instead, right?

In a perfect Economics 101 world, yes, entrepreneurs would always have capital available to them, at a market-determined price, subject to the perfect competition of rational and well-informed investors and lenders. Yeah, right.

In practice, for companies with, say, $1-5 M in revenue, a banker's first question won't be about the company. It'll be: "How much equity do you, Mr.

Entrepreneur, have in your house?" If there's not hard-asset collateral, a commercial bank isn't going to touch your small business without your personal guarantee. Even optimistic entrepreneurs don't always want to hock the homestead for growth capital.

VCs serve an important role, but their model of "10x home runs" doesn't admit for a lot of types of investments (specifically, any kind of company that doesn't have a good shot at a hype-fueled "strategic" buyout or IPO). Also, the VC community is a pretty exclusive fraternity. If you don't speak their specialized language, and show up with the kind of pedigree they are used to, they might not even hear the words you're saying.

Surely you're not saying you're *always* better than banks or VCs?

Of course not. If you want to finance real estate or equipment, you should definitely seek traditional debt, which will be cheaper and more suitable than a RevenueLoan. If you truly have a billion-dollar market opportunity and a Stanford EE/CS pedigree, you'll likely find VCs a better fit.

Who are you guys?

Check out our team page. We're passionate about pioneering Revenue-Based Financing in our new startup, Lighter Capital. We have been technology entrepreneurs, and then taken a turn as angel investors and venture capitalists. But, while you can take the boy out of the startup, you can't take the startup out of the boy, so we're back into startup mode.

What are you people all about?

If you think a RevenueLoan might be the right answer for your business, here are a few things you should know about us (if we get into a serious conversation you're welcome to speak with any CEO we've backed to hear what they have to say as well):

- We know a lot about how to grow companies and we're here if you need us — but we aren't looking for ways to to get up in your grill.
- We strive to be direct, decisive, and fair — so you always know what we're thinking.
- We're willing to roll up our sleeves and know from experience that entrepreneurship is sometimes a contact sport.
- You'll have direct relationships with the investing professionals of our company — not junior support staff.
- We're happy to work with others — venture capitalists, angels, and banks — though we recognize that many of the companies that we participate in may not be appropriate for traditional equity or debt investors.

How many investments have you done under this model? (AKA, is this just an idea??)

Lighter Capital has made dozens of investments since 2010 and is the market leader in revenue-based financings. We are happy to provide customer references if you still have questions.

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