

FREE RESOURCE

Access to Capital Preparation Guide

A free resource from NAJA Capital

Why preparation matters

Most small businesses fail not because of poor strategy but because of poor capital readiness when growth or stress arrives. Preparation is what separates businesses that get a 'yes' from those that get a 'not yet.' This guide covers the main capital sources available to U.S. small businesses, what each provider looks at, and the documents required to be credible.

Types of capital

Bank loans

- Senior secured term debt or revolving lines of credit.
- Typically the lowest cost of capital.
- Requires demonstrable cash flow, collateral, and personal guarantees in most small-business contexts.

SBA loans

- U.S. Small Business Administration-guaranteed loans (7(a), 504, microloans).
- Lower down payment, longer amortization than conventional bank debt.
- More documentation; longer underwriting cycle.

Private credit

- Non-bank lenders (BDCs, private credit funds, specialty lenders).
- Faster underwriting than banks; higher rates.
- Useful for transitions, near-term events, and businesses that do not fit bank credit boxes.

Equity investment

- Angel investors, family offices, venture capital, growth equity, private equity.
- No required principal repayment; dilution and governance trade-offs.
- Suitable when the use of capital is growth or transformation, not working-capital plug.

Grants

- Government, foundation, and corporate grant programs.
- Non-dilutive; competitive; restricted use.
- Often program-specific (research, community, minority-owned, etc.).

Revenue-based financing (RBF)

- Capital repaid as a percentage of monthly revenue until a cap is met.
- No fixed maturity; usually no personal guarantee.
- Higher effective cost than bank debt; useful for short-duration needs.

Strategic investor capital

- Customers, suppliers, or industry partners investing for strategic reasons.
- Can come with operational benefits beyond capital.
- Conflict-management is critical.

What lenders look at

- **Debt Service Coverage Ratio (DSCR).** EBITDA / debt service. Banks usually want ≥ 1.20 – $1.50x$.
- **Fixed Charge Coverage Ratio (FCCR).** (EBITDA + rent) / (debt service + rent).
- **Liquidity.** Cash + available line of credit.
- **Leverage.** Total debt / EBITDA.
- **Collateral.** AR, inventory, equipment, real estate.
- **Personal credit.** Owner credit history and net worth.
- **Industry exposure.** Bank risk appetite by sector.

What investors look at

- A market large enough to justify the round, with documented sizing.
- Unit economics that demonstrate operating leverage.
- A management team with relevant experience and reasonable skin in the game.
- A capital plan tied to milestones, not just to growth.
- Customer evidence: retention, concentration, and pipeline.
- Defensibility — moat, brand, IP, channel, or operational excellence.
- Path to next financing event or self-sustaining cash flow.
- Realistic risks acknowledged honestly.

Documents required

Most lenders and investors will request a subset of the following. Have them ready before approaching capital providers:

- Three years of audited or reviewed financials (or tax returns where smaller)
- Trailing twelve months management financials current to last full month
- Cap table and corporate documents
- Three- to five-year financial model with monthly granularity for years 1-2
- Debt schedule
- Customer concentration analysis
- KPI dashboard
- Use of funds tied to milestones
- Bios of management
- Material contracts (top customers, suppliers, leases)
- Pitch / lender presentation

How to prepare before approaching capital

- **Complete the Investor Readiness Checklist.** Most rejections are caused by readiness, not by underlying business quality.
- **Match capital to need.** Working capital → bank line. Growth investment → equity or term debt. Bridge to event → private credit or RBF.
- **Pre-qualify lenders and investors.** Approach only those whose criteria match your profile. Generic outreach burns goodwill.
- **Prepare a 'lender's view' of your business.** Run your last twelve months as a lender would: DSCR, leverage, liquidity. Surface and explain weaknesses.
- **Time the conversation.** Approach capital before you need it. Capital is cheaper and easier to obtain when it is not urgent.
- **Tell the truth.** Disclose risks early. Diligence will uncover what you hide; the cost of disclosure later is far higher.

Risks and responsibilities

- Debt obligations are senior; they do not flex with revenue.
- Personal guarantees create personal exposure that survives the business.
- Equity dilution is permanent; governance changes can be material.
- Some financing carries acceleration triggers (covenants, cross-default).
- Misalignment between capital provider and operator can break a business.

Next step

Request a free Business Diagnostic at najacapital.com/diagnostic. We will review your readiness and give you a written assessment within five business days — at no cost.

Important

Disclaimer: This resource is provided by NAJA Capital for general educational and informational purposes only. It does not constitute, and should not be relied upon as, legal, tax, accounting, immigration, financial, or investment advice. Use is at your own discretion and risk. NAJA Capital makes no representation or guarantee regarding the accuracy, completeness, suitability, or applicability of this resource to any specific situation. Consult qualified professionals before making decisions. © NAJA Capital. Visit najacapital.com for more free resources.