

Capital Readiness Checklist

A Comprehensive Guide to Preparing Your Business for Debt Financing

Introduction

Securing structured debt financing requires more than a strong business case—it demands institutional-grade documentation, transparent financials, and strategic positioning. This checklist will help you assess your readiness and identify gaps before engaging with lenders.

Financial Documentation

Core Financial Statements (Last 3 Years)

- Audited or reviewed financial statements
- Income statements (P&L)
- Balance sheets
- Cash flow statements
- Current year-to-date financials

Financial Projections

- 3-5 year financial projections
- Detailed assumptions documentation
- Sensitivity analysis (best/base/worst case scenarios)
- Monthly cash flow projections for next 12-24 months

Tax Documentation

- Business tax returns (last 3 years)
 - Personal tax returns of major shareholders
 - Tax compliance certificates
 - Outstanding tax liability documentation
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Business Operations

Corporate Structure

- Articles of incorporation
- Operating agreement or bylaws
- Cap table (current ownership structure)
- Organizational chart
- List of all subsidiaries and affiliates

Legal & Compliance

- Material contracts and agreements
- Intellectual property documentation
- Litigation history and pending cases
- Regulatory licenses and permits
- Insurance policies (general liability, D&O, key person)

Customer & Revenue

- Top 10 customer list with revenue concentration
- Customer contracts and terms
- Revenue diversification analysis
- Customer acquisition cost (CAC) metrics

- Customer lifetime value (LTV) calculations
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Strategic Positioning

Use of Proceeds

- Detailed breakdown of capital deployment
- Expected ROI for each use case
- Timeline for fund utilization
- Milestones tied to capital deployment

Market Position

- Industry overview and market size
- Competitive landscape analysis
- Unique value proposition
- Barriers to entry
- Market share and growth trajectory

Management Team

- Executive team bios and track records
 - Board of directors composition
 - Key employee retention agreements
 - Succession planning documentation
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Debt Capacity Analysis

Current Debt Profile

- Schedule of all existing debt

- Debt covenants and compliance status
- Debt service coverage ratio (DSCR)
- Leverage ratios (Total Debt / EBITDA)
- Interest coverage ratio

Collateral Assessment

- Asset appraisals (real estate, equipment, inventory)
 - Accounts receivable aging report
 - Inventory turnover analysis
 - Personal guarantees availability
 - Lien search results
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Risk Mitigation

Operational Risks

- Key person risk assessment
- Supplier concentration analysis
- Geographic concentration review
- Technology and cybersecurity measures
- Business continuity plan

Financial Risks

- Working capital adequacy
 - Seasonal cash flow patterns
 - Foreign exchange exposure (if applicable)
 - Interest rate sensitivity analysis
 - Covenant compliance projections
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Due Diligence Preparation

Data Room Setup

- Virtual data room organized by category
- Document index with version control
- Redaction of sensitive personal information
- Q&A log preparation
- Management presentation deck

Professional Advisors

- Legal counsel engaged
 - Accounting firm relationship
 - Financial advisor or investment banker
 - Insurance broker
 - Industry consultants (if needed)
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Readiness Score

Calculate your readiness score:

- **80-100% Complete:** You're well-positioned for institutional debt financing
 - **60-79% Complete:** Address remaining gaps before approaching lenders
 - **40-59% Complete:** Significant preparation needed; consider advisory support
 - **Below 40%:** Focus on building foundational documentation first
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Next Steps

If You're Ready (80%+ Complete)

1. Schedule a confidential consultation with Pilothouse
2. Review optimal debt structures for your situation
3. Receive tailored lender introductions

If You Need Support (Below 80%)

1. Identify your top 3-5 documentation gaps
 2. Engage professional advisors to fill critical gaps
 3. Consider Pilothouse's advisory services to accelerate readiness
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About Pilothouse

Pilothouse specializes in structured debt finance and advisory for lower-middle market firms. We architect bespoke capital solutions and provide exclusive access to an elite network of private credit funds, family offices, and institutional lenders.

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