

## Strategic Steps to Secure & Leverage Capital for Sustainable Growth

This playbook was created by Growth Partners Arizona to ensure that small business owners understand what it means to be capital ready and are prepared to apply for funding.

### What Is Capital Readiness?

Capital readiness means you're prepared, on paper and in practice, to apply for, receive, and manage funding that moves your business forward. This playbook is not just about "getting approved." It's about using capital wisely, protecting your peace, and positioning your business for long-term wealth-building.

### The 8-Step Capital Readiness Pathway:

This playbook is created to help make a complex process easy while providing information that tells you what to do, why it matters, what happens if you skip a step, and what tools to use to achieve success.

Building a Capital Strategy means thinking long-term. It's about:

- Getting the right type of money
- Knowing how and when to use it
- Planning to pay it back without stress
- Leveraging debt to build wealth, not bury your business

| **“Smart money builds freedom. Bad debt builds pressure.”**

### STEP 1: KNOW HOW MUCH FUNDING YOU NEED

**What to Do:** Estimate total funding needs across startup or growth categories: *Equipment, Inventory, Rent, Renovations, Technology, Staff, or Working Capital (Daily Operations)*.

**Use a Cost Breakdown:** Is this one-time or recurring | is it fixed or variable.

**Why it Matters:**

Lenders want precision. You want clarity. Estimating correctly means you avoid over-borrowing (debt stress) or under-borrowing (growth stalls).

**Skip This and Risk:**

- Running out of funds mid-project
- Taking on unnecessary debt
- Undermining lender confidence

## STEP 2: KNOW HOW YOU'LL USE THE FUNDS

**What to Do:** Break down the Use of Funds and tie each one to a business outcome: *Revenue Growth, Cost Savings, Operations Efficiency, Customer Experience, etc.*

**Why it Matters:** Strategic use builds funder confidence. It also ensures you only borrow for things that create value or support business growth.

**Skip This and Risk:**

- Misusing loan funds
- Losing control over cash flow
- Decreased impact and no ROI

## STEP 3: KNOW WHAT YOU CAN AFFORD

**What to Do:** Use cash flow projections to test affordability across three scenarios: Conservative, Realistic, and Optimistic.

**Learn Your:** DSCR (Debt Service Coverage Ratio), Breakeven Point, Cash Buffer Needed

**Why it Matters:**

Knowing what you can afford protects your margins and peace of mind. This is your risk protection step.

**Skip This and Risk:**

- Defaulting or late payments
- Burning through reserves
- Blocking access to future capital

## **STEP 4: CHOOSE THE RIGHT CAPITAL & FUNDER**

**What to Do:** Match capital type (loan, grant, line of credit, investor) to your business goals and stage. Learn your capital stack options: Non-dilutive (you keep ownership), Dilutive (you give equity).

*Prioritize relationship-based lenders like your local bank, CDFIs, or local lending nonprofit organizations.*

**Why it Matters:** Not all money is good money. Some is too expensive. Some comes with strings.

**Skip This and Risk:**

- Losing ownership too early
- Getting trapped in high-interest loans
- Funders who don't understand your vision

**Helpful Tools to Use:**

- Funding type comparison
- Lender fit matrix

## STEP 5: PREPARE TO MEET A FUNDER

**What to Do:** Gather docs and practice your pitch. Tell your story like this: Who you are, What your business does, why this loan, how you'll use it, and how you'll pay it back.

**Why it Matters:** Funders invest in business owners who are prepared and demonstrates authenticity, clarity, and trust.

**Skip This and Risk:**

- Being underprepared
- Delayed or denied applications
- Leaving money on the table

**Helpful Tools to Use:**

- Funder Meeting Checklist (Appendix)
- Required Personal & Business Documents (Varies by Funder)

## STEP 6: APPLY WITH CONFIDENCE

**What to Do:** Complete all required forms. Submit clean, organized, and accurate documentation. Tell the truth about gaps or past credit issues, transparency is powerful.

**Why it Matters:** Funders evaluate your application on your readiness and how well you submit the required information and not just what you say during the intake meeting.

**Skip This and Risk:**

- Sloppy submissions = denials
- Delays due to missing info
- Low-ball offers due to lack of clarity

*If your application is successful, be sure to read loan documents thoroughly and ask questions. Congratulations on successfully getting capital ready, now it is time to stay capital ready to support future growth and needs.*

Now that you've applied for and secured the funding needed to support your business goals, it's time to make an essential shift: **From getting capital ready... to staying capital ready.**

This is where many entrepreneurs lose momentum. Securing funding is not the finish line—it's a launchpad. Staying capital ready means actively managing your money, measuring your progress, and making smart decisions that build financial strength over time.

Many small business owners, especially those from historically underserved communities, focus so heavily on getting approved that they overlook what comes next: **Using capital strategically to grow, repay responsibly, and stay in position to access even more funding when the time is right.**

This next phase is where you build trust, track your impact, and strengthen your capital position—all while using the funding to do exactly what you said it would: help your business grow.

Let's move into Step 7: Managing the Money Wisely—because sustainable growth starts with strategic use.

## STEP 7: MANAGING THE MONEY WISELY

**What to Do:** Create a post-loan action plan: Repayment strategy (aligned to cash cycles, Impact tracking (did the loan do what it should?), Build cash reserves.

**Learn to Manage Debt Using:** Snowball (Pay smallest first), Avalanche (pay highest interest first)

### Why it Matters:

Smart debt management helps you qualify for more and better funding in the future. It also ensures you are able to make timely payments and improve your relationship with your funder.

**Skip This and Risk:**

- Damaged credit
- Missed growth targets
- Losing access to future funding

## STEP 8: THINK LIKE A CAPITAL STRATEGIST

**What to Do:** Create a 12-14 month capital timelines: What will you need? When will you need it? Where will it come from?

**Think Ahead:** Combine grants, loans, pitch funding, and revenue reinvestment to grow wisely.

**Why it Matters**

This is how you build wealth instead of surviving loans. Capital strategy protects your business's future.

**Skip This and Risk:**

- Reacting instead of planning
- Getting stuck in short-term money cycles
- Missing high-leverage opportunities

This playbook isn't just about getting a loan. It's about becoming the kind of entrepreneur who commands capital, controls growth, and builds legacy—not just hustle.

# Appendix

# Funder Meeting Checklist

Once you are ready to meet with a potential funder it will be important to have the following information handy so that you can answer questions and present your funding request with confidence.

## Personal Documents

- Government Issued ID
- Personal Credit Report (Know your score and history)
- Last 2-Years of Personal Tax Returns
- Personal Financial Statement (Assets & Liabilities) (Good to Have)

## Business Documents

- Business License or Articles of Incorporation/Organization
- EIN (Employer Identification Number) from IRS
- Proof of Business Insurance
- Operating Agreement (if LLC) or Partnership Agreement
- Business Plan or Executive Summary (For Startups or Pivots)

## Financial Documents

- Year-to-Date (YTD) Profit & Loss Statement
- Year-to-Date (YTD) Balance Sheet
- 12-Month Revenue and Expense Projections
- Use of Funds Statement
- Existing Debt Schedule (if applicable)

## Funder Meeting: *Pitching Your Readiness*

Once you have all of your documents prepared you want to ensure you can speak to your business and funding needs confidently.

### **Tell Your Story: Practice Answering The Following Questions**

- Why do you need this loan/funding?
- How will this funding grow or stabilize your business?
- How do you plan to use the funds (be specific)?
- How will you repay the loan?
- If collateral is required, what collateral do you have available?
- How much money is your business bringing in, how much are you keeping after expenses, and do you usually have enough money coming in to cover your bills every month?
- What obstacles have you faced and how have you overcome them?

### **Questions to Ask the Funder:**

- What is total cost of capital (interest + fees)?
- Are there any prepayment penalties or hidden charges?
- What are your repayment terms (Monthly, interest-only, balloon)?
- What happens if I miss a payment or need to adjust my repayment schedule?
- What other support do you offer (technical assistance, coaching, etc.)
- Can I apply for additional funding in the future?

**Final Tip:** Organize all documents in a digital folder (e.g., Google Drive, Dropbox, or USB) labeled: [Your Business Name] – Loan Readiness Packet

## How to Identify Predatory Lending & Protect Your Business

### Why This Matter

Not all lenders are on your side. Some offer quick cash but hide high costs, unfair terms, or risky repayment structures that can hurt your business instead of helping it grow.

Predatory lenders often target small business owners of color, women, rural entrepreneurs, and those without strong credit—so being informed is a powerful form of protection.

### What is Predatory Lending?

- Predatory lending happens when a lender offers a loan that is designed to trap the borrower in a cycle of debt. These loans often have:
- Unclear or hidden fees
- Very high interest rates (APR over 30–50%)
- Daily or weekly payments
- No grace period or flexibility
- Penalties for early repayment
- Pressure to sign fast without reviewing terms

### Warning Signs of a Predatory Loan

Red Flag	What It Means
■ “We don’t need to check your credit.”	May mean they charge extremely high interest to compensate.
■ “You must sign today or lose the offer.”	Pressure tactics = bad sign. Legit lenders give you time.
■ No clear disclosure of the APR or total cost.	If you don’t know the real cost, walk away.
■ Payments are daily or automatic with big penalties.	Can drain your cash flow fast and cause defaults.
■ You can’t see the repayment schedule upfront.	You should always know your monthly cost.
■ They avoid written documentation or won’t explain the contract.	Lack of transparency is a dealbreaker.

## How to Identify Predatory Lending & Protect Your Business

### How to Protect Your Business:

#### Ask These Key Questions

- What is the total cost of this loan (with interest and fees)?
- What is the Annual Percentage Rate (APR)?
- What are the payment amounts, frequency, and due dates?
- Are there prepayment penalties?
- Is there a grace period or hardship support?

#### Take Time to Compare Offers

Use a loan comparison sheet to review different funders side by side. Don't go with the first offer if it doesn't feel right.

#### Work with Mission-Based Lenders

Look for Community Development Financial Institutions (CDFIs) or local nonprofit lenders. They often offer:

- Lower rates
- Flexible terms
- Business coaching and support

#### Know Your Capital Needs

When you're clear on how much you need and how you'll repay it, you're harder to exploit. That's why staying capital ready protects you.

#### Read the Fine Print (of Get Help)

- Ask a coach, advisor, or attorney to review the loan terms.
- Use online tools (like Truth in Lending calculators) to see if it adds up.

#### “Gut Check” Questions

Do you feel rushed to make a decision = Red Flag

Am I unsure what I'm actually paying back = Red Flag

Is the lender avoiding my questions = Red Flag

Will this payment hurt my cash flow = Red Flag

***Remember: Fast money is not always smart money. If the loan doesn't help you grow, save money, or reduce stress—it's not the right loan.***

## Funding Type Comparison

*This matrix is only to provide general information. Please reach out to the lender to get more accurate information.*

Funding Type	Best For	Pros	Cons	Typical Providers
<b>Term Loan</b>	Expansion, equipment, working capital	Predictable payments, builds credit	Requires good credit, collateral	Banks, CDFIs, Online lenders
<b>Line of Credit</b>	Short-term cash flow, inventory	Flexible, interest only on amount used	May require strong financials	Banks, CDFIs
<b>Microloan</b>	Startups, very small businesses	Low amounts, supportive underwriting	Small loan size, may require training	CDFIs, nonprofits (e.g., Kiva, Accion)
<b>SBA Loan (7a, 504)</b>	Larger projects, buying property/equipment	Low interest, long terms	Lengthy approval, paperwork-heavy	SBA lenders, some CDFIs
<b>Grants</b>	Startups, nonprofits, social enterprises	Non-repayable funds	Highly competitive, restrictive uses	Governments, foundations
<b>Revenue-Based Financing</b>	Growing businesses with revenue	Flexible repayments based on income	Can be expensive over time	Alternative lenders
<b>Invoice Financing</b>	Businesses with outstanding invoices	Fast cash from unpaid invoices	Fees can add up	Online lenders
<b>Equity Investment</b>	High-growth startups	No repayments, strategic partners	Dilutes ownership	Angel investors, VCs
<b>Crowdfunding</b>	New products, community-backed ventures	Validates demand, marketing tool	Success depends on campaign reach	Platforms like Kickstarter, iFundWomen

## Lender Fit Matrix

*This matrix is only to provide general information. Please reach out to the lender to get more accurate information.*

Lender Type	Ideal Borrower Profile	Typical Loan Size	Focus Area	Flexibility & Support
CDFIs	Underserved entrepreneurs, startups, Nontraditional Borrowers	\$5,000–\$1,000,000	Community impact, inclusion	High: TA, patient capital
Traditional Banks	Established businesses, strong credit & collateral	\$100,000+	Profitability, risk management	Low: strict underwriting
Credit Unions	Local businesses, members	\$10,000–\$250,000	Community and small businesses	Medium: more personal approach
Online Lenders	Fast capital needs, average/good credit	\$5,000–\$500,000	Speed, cash flow lending	Medium: convenience vs. higher cost
SBA Lenders	Established businesses with solid plans	\$50,000–\$5M	Job creation, asset growth	Medium: structured but accessible
Impact Investors	Social enterprises, scalable ventures	\$50,000–\$1M+	Mission + ROI	Medium to High: aligned missions
Grant Makers	Nonprofits, early-stage or community-focused	\$1,000–\$100,000	Equity, innovation, impact	High: no repayment, but program-driven