

# Capital Readiness Review

Prepared by FundReady AI — Confidential

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Capital Readiness Score	Funding Probability Rating	Recommended Funding Path
<b>72 / 100</b>	<b>Moderate</b>	<b>Hybrid</b>

## Executive Summary

This redacted sample represents a mid-market manufacturing company seeking \$5.2M in expansion capital. The applicant demonstrates moderate capital readiness with established revenue streams, experienced leadership, and a clear use-of-funds plan. However, several areas require strengthening before approaching institutional capital providers.

The assessment identifies balanced operational strengths against material risks in financial documentation and capital structure. While the business shows promise, additional preparation is recommended to improve funding probability from Moderate to High.

## Top 5 Strengths

1. Experienced management team with 15+ years combined industry expertise and prior successful exit.
2. Diversified revenue base with no single customer exceeding 18% of annual revenue.
3. Proprietary manufacturing process yielding 23% gross margins, 400 bps above industry median.
4. Strong local market position with established relationships with regional distributors.
5. Clear capital deployment plan with projected 2.8x ROI over 5-year horizon.

## Top 5 Risks

1. Incomplete financial documentation — audited statements available for only 2 of 5 operating years.
2. Concentrated customer dependency risk in top 3 accounts representing 42% of revenue.
3. Limited collateral for secured debt financing; primary assets are specialized equipment with narrow resale market.
4. No formal board of directors or independent financial oversight mechanism.
5. Capital structure already carries \$1.8M in existing debt with restrictive covenants.

## Capital Readiness Assessment

The applicant presents a credible but incomplete funding case. Revenue traction and market position are genuine strengths, yet the absence of comprehensive audited financials and a formal governance structure creates material friction for institutional capital providers. Lenders and equity investors alike will require greater transparency and oversight mechanisms.

The recommended path is a Hybrid structure combining senior debt with a minority equity component. This approach leverages the company's cash flow for debt service while giving investors governance rights through equity participation. The capital readiness score of 72 reflects solid fundamentals held back by documentation and governance gaps.

## Executive Action Plan

**Priority 1:** Engage a regional CPA firm to complete audited financial statements for the trailing 3 years.

*Rationale:* Audited financials are non-negotiable for institutional capital. This should be completed before any capital solicitation.

**Priority 2:** Formalize a 3-person advisory board including at least one independent member with capital markets experience.

*Rationale:* Independent oversight materially improves investor confidence and can accelerate due diligence timelines.

**Priority 3:** Diversify top customer concentration from 42% to below 30% within 12 months.

*Rationale:* Customer concentration is a leading cause of credit committee declines. Mitigation is essential.

**Priority 4:** Engage a commercial insurance broker to review and upgrade D&O; and key-person coverage.

*Rationale:* Proper insurance coverage is a standard condition precedent in most term sheets.

**Priority 5:** Prepare a detailed 3-year financial model with sensitivity analysis and scenario planning.

*Rationale:* Investors and lenders expect robust financial projections with clear assumptions.

## Recommended Next Steps

Following completion of the Executive Action Plan, the applicant should re-engage FundReady AI for an updated Capital Readiness Review. At that point, the readiness score is projected to increase to 85+ with a High funding probability rating. The updated report can then be used as a supporting document in capital solicitations to lenders, investors, and family offices.

FundReady AI recommends beginning with the Executive Summary package (\$97) to establish baseline documentation, followed by the full Capital Readiness Review (\$297) once financial audits are

complete. The Institutional Capital Readiness Package (\$997) is advised for transactions exceeding \$5M or involving multiple capital sources.

— End of Sample Report —

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