



Rocky Mountain Capital

269 West Front Street., Suite E Missoula, MT 59802 T 406 251 586 1 F 888 251 8191 E rheffner@rockymountaincapital.com

SBA FINANCE UPDATE Rocky Mountain Capital LLC

SBA NEWS--with a Focus on Acquisition Finance

4th in a series July 22, 2009

At Rocky Mountain Capital, we underwrite, package and source SBA-guaranteed financing. Our specialty is funding for business acquisition. Expertise includes owner-occupied real estate, durable equipment, and business expansion projects—based on the founder's 12 years experience as an SBA loan officer for national financial institutions.

Current News

Relative Quiet on the SBA Program Front

The flurry of SBA news on program modifications due to the stimulus package has slowed down, for now. Key initiatives, now in place, include:

- the ARC program—100% guaranteed loans up to \$35K, for payments on existing debt
- elimination of SBA fees on both 7A guaranteed loans and 504 loans
- eligibility of floor plan financing for the SBA guarantee
- eligibility of debt refinance for hard assets, in conjunction with a new 504 loan
- expanded size standards to qualify as a “small business” (up to \$3 million net after-tax income & \$8.5 million tangible net worth)
- a 90% guarantee available on most 7A loans (maximum guarantee of \$1.5 million)

58% Growth in SBA Lending

Apparently responding to these initiatives, SBA lending for 3rd quarter of the fiscal year increased by 58% over the preceding quarter. That increase is from a very low base: lending remains down by 38% compared to last year. Still, a solid & positive indication.

Upcoming Events: New Rule Due on Goodwill

SBA is scheduled to propose a new (final) goodwill rule this August. You'll hear from us immediately, when that announcement is made.

Tips for Loan Approval: Allocating Purchase Price Away from Goodwill

SBA is routinely approving requests for exceptions to the current \$250K goodwill “cap.” Still, many banks have internalized the rule, or put their own limits on goodwill finance.

We can minimize amount of goodwill in a loan request by allocating maximum defensible value to other assets, such as:

- (1) seller consulting services;
- (2) non-compete agreement and other intangibles on books (at net book only);
- (4) A/R and inventory;
- (5) re-valuation of hard assets: marking up FFE to appraised market value.

Company News: CBI designation granted to RMC principal.

I sat for this June's Certified Business Intermediary (CBI) examination, by the International Business Brokers Association. My CBI designation was awarded July 9th.

I'll write again, in the next few weeks.

(Reply with “unsubscribe” in the subject, if you'd like to opt out.)

Best regards,

__Bob

Robert A. Heffner

T 406.251.5861 F 888.251.8191

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