

**For Business Brokers: Using “Screening Guidelines for SBA-Guaranteed Acquisition Financing” to identify feasible prospects for financing.**

The guidelines start with a set of 6 general criteria, and also list the numerous minor, specific exclusions ("ineligible situations") defined in SBA regulations.

For general screening, start at the top of the Guidelines list: sort business opportunities either by valuation of the company (or EBIDAT, if valuation isn't known) to eliminate those that are either above or below the financing range that's practical for SBA. (Guideline #1)

Another key sort: eliminate companies that have shown declines in EBIDAT for the last year, continuing into the current interim (decline from 2007 to 2008 that is not reversed in 2009; or, a substantial decline in 2009 EBIDAT versus 2008.) Don't disqualify companies that have declined on the top line (gross revenues) but have maintained or increased EBIDAT--those deserve a closer look. Don't eliminate companies that have stabilized or upturned in the most recent year, or in the current YTD interim, if we have at least 9 months showing a recovery. (Guideline #2)

Then, eliminate companies which, when added together with any affiliates and with the expected acquiring company, will exceed SBA's business size standards for a "small" business (Guideline #3 in the attached.)

Just the above three steps should give you a reasonably well-specified set for further analysis.

If a likely buyer is already known, you may want to review Guidelines 4, 5 and 6 (and perhaps scan the "ineligible situations" listed following the general guidelines) to see if there's any obvious reason this buyer or type of buyer might not be eligible--but that's a matter we should usually discuss, rather than making an arbitrary determination.

When you have companies identified, then, with your business valuation or expected price, 3 years of taxes, most recent yearend financial statements, current interim YTD financial statements (current within 60 days) and a P&L for the same interim period of the prior year, RMC can do a cash flow analysis that will indicate whether a company is or isn't presently feasible for SBA acquisition finance.

If "yes," we can provide a scenario, or possibly alternate scenarios, showing the whole financing structure: required down payment, required seller financing, seller financing required to be on deferral (if any), bank financing, and other sources of financing (if any.) The scenarios are for your use in marketing the company to potential buyers. And, as soon as a buyer is identified, Rocky Mountain Capital can conduct a quick pre-screening of the buyer for SBA eligibility and financial qualification.

If "no" RMC can identify exactly what the limitations or barriers are, and what would have to change (in what time frame) for the company to become eligible.