

SBA FINANCE UPDATE Rocky Mountain Capital LLC #10 Sept. 10, 2010
SBA NEWS--with a Focus on Acquisition Finance (updated Aug. 16, 2011)

At Rocky Mountain Capital, we underwrite, package and source SBA-guaranteed financing. Our specialty is funding for business acquisition, as well as owner-occupied real estate, durable equipment, and business expansion projects.

2011 Turning Point for Companies with Declining Trends

Declining trends: the “kiss of death.” Many businesses had declines in gross and net revenues, from 2008 to 2010. Whether as a business broker, a banker, a buyer or a financial advisor, you’ve found that bank financing was not available for these companies, in 2010.

That’s about to change. While most banks require at least 1 full year of recovery or stabilization to offset a year of decline, the more aggressive SBA lenders—the banks we work with—will accept proposals for credit underwriting based on 3 quarters of positive results in 2011. As soon as September 30 financials are available, we can once again get loans for business purchase, expansion and real estate (or refinance of existing debt), for companies that had declining trends through yearend 2010.

Minimum information needed:

- (1) Year-to-date (YTD) financial statements (balance sheet and P&L), through 9/30/2011.
- (2) P&L for YTD Sept. 30, 2010, for direct year-over-year comparison.
- (3) Financial statements (or tax returns) for year end 2008, 2009, 2010.
- (4) Uses of funds: purchase price (business, equipment, real estate); working capital; schedule of debts to be refinanced.

With the above, we can pre-screen the transaction, and produce a finance scenario showing rate, terms, and conditions (down payment, seller financing, etc) that can realistically be presented to and approved by the national SBA programs of the more aggressive banks.

Typically, we’re dealing with “out-of footprint” lenders—banks which don’t have local branches in the project area. That means no competition for the borrower’s bank accounts: bankers can refer to us to get the deal done for their customer; borrowers can keep their accounts wherever they choose.

Of course, the proposal has to be good on the other standard credit criteria: management experience, credit history, cash available for down payment. However, as always with our lenders, a shortfall in collateral is not an obstacle.