

SBA FINANCE UPDATE Rocky Mountain Capital LLC #6, Sept. 3, 2009
SBA NEWS--with a Focus on Acquisition Finance

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: GOODWILL CAP ELIMINATED

This news has spread fast and wide, but here it is in perhaps a bit more detail: Per the new edition of SBA's Standard Operating Procedures (SOP 50 10 5B), posted yesterday afternoon on the SBA website, and effective October 1, 2009, *there will no longer be any special limit on the amount of loan proceeds used to finance goodwill.*

Since March 1, 2008 the SBA has prohibited using more than \$250,000 or 50% of loan proceeds (whichever is less) for financing goodwill. Under the new rules, any amount of goodwill up to the overall lending limit of \$2 million may be financed, and may be approved under delegated authority by a Preferred Lender participating in the SBA's 7(A) loan program, so long as there is at least 25% equity provided in any combination of borrower down payment and seller stand-by financing.

This is a signal accomplishment for all those many of you who contacted SBA, your associations, and members of Congress to roll back a rule that has, for much of this year, curtailed the use of SBA financing for purchasing a small business. The new rules make acquisition financing easier for borrowers, provide clarity for lenders, and significantly increase availability of SBA financing at a time when it is needed more than ever.

In summary, the new rules provide that:

- 1) If total intangible assets in the purchase price of a business (including but not limited to goodwill, client/customer lists, patents, copyrights, trademarks and non-compete agreements) are \$500,000 or less in value, such intangibles may be financed using the SBA guarantee, and loan requests may be processed under the Preferred Lender Program (i.e., with the Lender having delegated authority to make the credit decision, without SBA review of the loan file.)
- 2) If total intangible assets in the price exceed \$500,000, then in order to use PLP processing, the borrower and/or seller must provide at least 25% of the purchase price in equity, defined as any combination of borrower cash injection plus seller financing that is on full stand-by for at least 2 years (no payments of principal or interest).
- 3) If total intangible assets in the price exceed \$500,000 and borrower/seller equity is less than 25%, the loan request may still be processed but must be submitted via the Certified Lender Program or General Program, which require SBA's separate review and approval of the complete loan file.

Congratulations and best regards,

__Bob

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Rocky Mountain Capital: underwriting, packaging & sourcing SBA-guaranteed finance