

## FINANCING A BUSINESS ACQUISITION

Make sure you ask for enough time.  
Typical timeline is 3-6 months.

### ELIGIBILITY AND REQUIREMENTS FOR FINANCING

- Financing can be used for asset purchases or stock purchases
- Business valuation supporting purchase price
- Guarantee of all owners with 20% or more ownership
- Financial Statements
  - Proforma Financial Statements
  - Last 3 years of tax returns/financial statements of company being purchased
  - Year to Date financial statements on company being purchased with comparative year data
  - Last 3 years of personal tax returns on each Guarantor
  - Personal financial statement on each Guarantor
- Copy of LOI and/or purchase agreement
- Bios on key management personnel



### SBA ACQUISITION FINANCING

- Minimum 10% equity injection
- Maximum 10 year term
- Loan Fees based upon guaranteed portion of loan amount
- Rate is set by SBA Peg Rate or floating at WSJ Prime Rate plus a spread
- Seller financing requirements
  - If seller financing is considered equity injection, then note needs to be placed on full standby (no payments allowed)
  - If seller financing is considered debt, then note can receive monthly payments as long as no default exists
- Meet general eligibility standards of program
- FICO SBSS minimum score of 140

### Benefits of SBA Business Acquisition Loan

- Flexible collateral requirement (but available collateral must be pledged)
- Lower down payment
- Longer repayment terms
- Less reporting requirement
- No debt covenants



### BANK ACQUISITION FINANCING

- Minimum 20% equity injection
- Maximum 7 year term
- Loan fees are negotiable
- Standard bank interest rate indexes and spreads
- Minimum Debt Service Coverage Ratio of 1.2x
- Quarterly reporting requirements

### Benefits of Bank Acquisition Financing

- Flexible sources of equity injection
- Flexible business valuation options
- Flexible loan and rate structures
- Flexible loan fees, if any
- Less restrictions on seller financing

Other terms and conditions may apply. All businesses loans are subject to credit underwriting and approval. SBA loans refer to government-guaranteed loans offered through the Small Business Administration.



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