

RIA Case Study

Business Acquisition Financing

RIA Client Profile | **First Time Entrepreneur**

Leveraging the **Community Capital (CCT) Loan Marketplace**, an RIA was able to efficiently source financing for an entrepreneurial client looking to fund a business acquisition.



THE OPPORTUNITY

Understanding acquisition finance options for a small business opportunity



THE RESULTS

- ✓ Client presented with several options for acquisition financing
- ✓ Consideration of both conventional and SBA financing
- ✓ Peace of mind for the client in closing the acquisition of their first entrepreneurial venture as a family
- ✓ Advisor gained a deeper understanding of client's business and financial needs

An RIA Client approached their Advisor for advice on a first entrepreneurial venture. A father (the Client) and his son were considering purchasing a commercial car wash near their hometown in Arizona. The purchase price for the business was \$800K. Tax returns showed that the car wash generated revenue of \$250K annually with net income of roughly \$100K. The Client and his son had set up a Limited Liability Corporation ("LLC") to own the business and sought guidance from their RIA Advisor on paying cash for the acquisition vs. finding a loan to help finance the venture.

The Advisor contacted the Loan Marketplace Service Team to discuss their Client's opportunity. The Team indicated that recent interest rates for small business loans were in a range below that of the recent returns on the Client's investment portfolio. So, using debt to finance the business acquisition was the smarter financial decision from a cost of capital standpoint. Depending upon the amount of equity that the Client wanted to invest in the acquisition, the Marketplace Team advised that either a conventional business loan or an SBA 7a loan could be potential routes.

The Advisor and the Marketplace Team worked with the Client to list their loan opportunity on the Loan Marketplace, providing direct access to more than 1,100 lenders nationwide. The Team also provided counsel on documentation the Client would need to have at hand for a lender to conduct due diligence.

More than a dozen lenders expressed interest in the loan opportunity through the Marketplace, and the Client decided to connect with two local Arizona banks and two national SBA lending specialists. After discussions regarding equity contribution, loan pricing, and preliminary terms & conditions with each of the four lenders, the Client decided to move forward with a national SBA lender that was able to finance 85%+ of the acquisition cost for the project.

The lender moved forward with underwriting and worked with the SBA to approve the acquisition loan. The Client closed the loan and the father & son venture opened for business under the new ownership within a few weeks of the loan closing.

For more information about the **Loan Marketplace**, powered by *Community Capital*, please contact:

Charles W. Shealy

JMG Lending

☎ (212) 555-5555

✉ Charles.Shealy@jmgadvisors.com



JMG ADVISORS
LENDING