A $7.0M acquisition that closes: the stack that survives underwriting.

Illustrative deal: home services company, $1.15M adjusted EBITDA, with owner-occupied real estate and heavy equipment. Structured under the July 4, 2026 rule: 7(a) and 504 are separate caps, up to $10M combined.

SOURCES

SBA 7(a) loan (10 yr)	**$2,800,000**
504 bank first lien (25 yr)	**$1,750,000**
504 CDC debenture (25 yr)	**$1,400,000**
Seller note, full standby 24 mo	**$700,000**
Buyer cash	**$850,000**
Total sources	**$7,500,000**

USES

Business (goodwill, intangibles)	**$3,500,000**
Owner-occupied real estate	**$2,800,000**
Heavy equipment	**$700,000**
Working capital	**$300,000**
Closing costs and fees	**$200,000**
Total uses	**$7,500,000**

DEBT SERVICE AND COVERAGE

FACILITY	BALANCE	RATE*	TERM	ANNUAL DEBT SERVICE
SBA 7(a)	$2,800,000	10.00%	10 yr	$444,026
504 bank first lien	$1,750,000	7.00%	25 yr	$148,424
504 CDC debenture	$1,400,000	6.30%	25 yr	$111,344
Seller note (from month 25)	$700,000	6.00%	8 yr	$110,388
Years 1 to 2 (standby in effect)				**$703,794**

1.53x
DSCR, YEARS 1 TO 2

1.32x
DSCR AFTER STANDBY

20.7%
EQUITY INJECTION, CASH + STANDBY NOTE

$4.2M
SBA EXPOSURE, UNDER THE $10M CAP

Cash flow available for debt service: $1,075,000 ($1.15M EBITDA less $75K maintenance capex). The SBA minimum is 1.15x and most lenders underwrite to a 1.25x benchmark. Buyer cash alone is 11.3% of project cost, so the injection clears the bar before the standby note is even counted. Business priced at just over 3x EBITDA with real estate and equipment valued separately.

THREE WAYS THIS EXACT DEAL DIES, AND WHAT THE STRUCTURE DOES ABOUT IT

1. **All the debt on 7(a) terms.** Put the full $5.95M on 10-year money and debt service jumps to $943,556. DSCR falls to 1.14x, below the SBA's own 1.15x minimum before an underwriter strikes a single addback. Fix: real estate and equipment move to 504 at 25 years, which frees $239,762 of annual debt service and lifts coverage to 1.53x.
2. **Seller note without standby.** If the note pays from day one, the lender adds $110K to year-one debt service and questions the equity story. Fix: 24 months full standby, in writing, in the LOI, so underwriting reads it as patient capital instead of hidden leverage.
3. **Unsupported addbacks.** Every addback the underwriter strikes cuts CFADS directly. At 1.14x the deal dies on the first one. Fix: every addback documented before the file goes in. At 1.53x the structure absorbs scrutiny instead of collapsing under it.

*Illustrative rates and terms as of July 2026, stated for transparency: 7(a) at 10.00%, 504 first lien at 7.00%, debenture at 6.30% effective, seller note at 6.00%. Swap in live quotes and the structure logic holds. One more point of precision: SBA exposure counted against the $10M combined cap is $4.2M (the 7(a) loan plus the CDC debenture; the bank first lien does not count). Seller note interest is waived during the 24 month standby. Under the July 4, 2026 rule the combined cap is $10M, which leaves this buyer $5.8M of SBA headroom for the next acquisition. That headroom is what makes a platform of SBA-financed deals possible, and it is exactly what careless structuring burns. This page is an illustrative example, not a loan commitment, an offer of credit, or financial advice on a specific transaction.

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