VETERINARY

BEYOND THE $5 MILLION 7(A) CEILING

An $8.4 million veterinary acquisition, structured across five sources

How an SBA 7(a) loan, a pari passu companion loan, and two seller notes on standby came together to fund a practice purchase larger than any single 7(a) loan allows.

BANK FINANCING	PROGRAM	PROJECT TYPE
$6,760,600	SBA 7(a) + pari passu	Practice acquisition

THE SITUATION

A buyer had the chance to acquire an established veterinary practice — a proven business with steady clients and staff already in place. The agreed purchase price was $8,000,000, and closing costs, a valuation, and post-opening working capital brought the full project to $8,427,600.

THE FINANCING CHALLENGE

A single SBA 7(a) loan is capped at $5,000,000 — well short of the project. A conventional-only structure would have demanded far more cash than the buyer could inject without draining the practice's operating reserves. The deal needed several pieces working together, not one bigger loan.

THE SBA FINANCING STRUCTURE

First Bank of the Lake funded the maximum $5,000,000 SBA 7(a) loan and added a $1,760,600 conventional companion loan on a **pari passu** basis — sharing the same collateral position rather than sitting behind it. Two **seller notes on full standby** ($421,000 of seller equity and an $825,000 seller note) closed the remaining gap alongside the buyer's $421,000 injection.

WHAT THIS HELPED THE BUYER DO

- ✓ Close an acquisition well above the single-loan 7(a) ceiling
- ✓ Keep the cash injection at 5% of project cost
- ✓ Keep the seller invested in a smooth transition through standby notes
- ✓ Open with $250,000 of working capital already funded

USE OF PROCEEDS

Every eligible project cost, itemized — nothing hidden.

Business acquisition	$8,000,000
Post-opening working capital	$250,000
SBA guaranty fee	$138,100
Packaging fee	$20,000
Outside legal fee	$12,000
Business valuation	$4,000
Survey, UCC searches	$3,500
TOTAL PROJECT COST	**$8,427,600**

WHERE THE MONEY CAME FROM

FBOL SBA 7(a) loan	**$5,000,000**	59%
FBOL loan #2 — pari passu	**$1,760,600**	21%
Seller note — full standby	$825,000	10%
Seller equity note — standby	$421,000	5%
Borrower cash injection	$421,000	5%

Both seller notes stand by for the life of the SBA loan. Subject to credit approval.

THE TAKEAWAY

The 7(a) ceiling limits one loan, not your deal. Layered correctly, a companion loan and seller standby notes may let qualified buyers finance well past it.