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Credit Memorandum — Sample

Maple Ridge HVAC Services, Inc. (fictional) · SBA 7(a) acquisition loan · Prepared for [Client]

Sample for illustration only. The borrower, guarantor and all figures are fictional and tie to the sample in Credit_Analysis_Workbook.xlsx.

Borrower	Maple Ridge HVAC Services, Inc. (fictional), HVAC contractor, NAICS 238220
Guarantor	Jordan Rivera (fictional), 100% owner after closing
Client (lender / broker)	[Client name]
Loan program	SBA 7(a)
Loan amount	$2,169,000
Purpose	Acquisition of 100% of the business, working capital, closing costs
Rate / term / amortization	10.25% (sample assumption) / 120 months / 120 months
Prepared by	Abdulrasheed A'alem, Amberlane Consulting Limited
Date	28 October 2026

1. Executive summary and recommendation

The buyer requests a $2,169,000 SBA 7(a) loan to acquire Maple Ridge HVAC Services for a $2,200,000 purchase price. On FY2025 trailing earnings the business generates $515,800 of cash available for debt service against $371,575 of total debt service, a **DSCR of 1.39x**, and global DSCR including the guarantor is **1.51x**. Strengths are three years of revenue growth and rising margins; the main risks are thin collateral (26.3% coverage) and sensitivity to a revenue decline, with DSCR falling to about 1.00x if revenue drops roughly 10%.

Analyst view for the lender's consideration: supportable, subject to the conditions in Section 13, chiefly a seller transition agreement, the seller note on full standby, life insurance on the guarantor and a pledge of available personal real estate equity.

Key metric	Value	Policy / test	Result
Business DSCR (trailing FY2025)	1.39x	≥ 1.25x (SBA minimum, initial acquisition)	Pass
Global DSCR	1.51x	≥ 1.25x (lender policy)	Pass
Equity injection	10.0%	≥ 10.0%	Pass
Limited sources share of required injection	33.6%	≤ 50%	Pass
Collateral coverage	26.3%	Information	Shortfall

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2. Loan request, sources and uses

Stock purchase of 100% of the business from the founder, who is retiring. Proceeds fund the purchase price, $150,000 of working capital and $60,000 of closing costs and SBA guaranty fee.

Uses	Amount ($)	Sources	Amount ($)
Purchase price	2,200,000	SBA 7(a) loan	2,169,000
Working capital	150,000	Buyer cash injection	160,000
Closing costs and SBA guaranty fee	60,000	Seller note on full standby	81,000
Total	**2,410,000**	**Total**	**2,410,000**

Monthly payment: $28,964.61; annual debt service on the proposed loan: $347,575.

3. Borrower and management

Maple Ridge provides residential and light-commercial HVAC installation, repair and maintenance. (Sample narrative: a live memo would describe years in business, service area, customer mix, share of revenue under maintenance contracts, headcount, licensing and key technicians.)

The buyer, Jordan Rivera, takes over as owner-operator at a market salary of $150,000, which is deducted in the cash flow analysis. A live memo would cover the buyer's industry and management experience and the seller's transition commitment.

4. Industry and market

HVAC services combine recurring maintenance and replacement demand with weather-driven peaks. Key drivers are housing stock age, weather, equipment prices and availability of licensed technicians. (Sample narrative: cite current industry and local-market sources in a live memo.)

5. Financial analysis

USD	FY2023	FY2024	FY2025
Revenue	2,850,000	3,120,000	3,340,000
Revenue growth	n/a	9.5%	7.1%
Gross margin	40.0%	41.0%	42.0%
Net income	275,000	360,200	434,800
Adjusted EBITDA	375,000	466,200	555,800
Adjusted EBITDA margin	13.2%	14.9%	16.6%
Current ratio	2.16x	2.21x	2.29x

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USD	FY2023	FY2024	FY2025
Debt to worth	1.08x	0.87x	0.72x

Revenue grew from $2.85m to $3.34m over three years and gross margin improved two points to 42.0%. Adjusted EBITDA adds back depreciation, interest, the seller's $190,000 compensation and a documented $10,000 one-time legal fee, and deducts a $150,000 market salary for the new owner. The balance sheet is liquid (FY2025 quick ratio 1.84x) with 39 days of receivables, 25 days of inventory and 41 days of payables.

6. Repayment capacity

6.1 Business cash flow (trailing FY2025 earnings)

USD	Amount
Adjusted EBITDA	555,800
Less: maintenance capex	(40,000)
Less: taxes / distributions (pass-through)	0
Cash available for debt service	**515,800**
Proposed loan debt service	347,575
Existing vehicle loans	24,000
Seller note (full standby)	0
Total debt service	371,575
Business DSCR	**1.39x**
Excess cash flow after debt service	144,225

On the average of FY2024 and FY2025 cash flow, DSCR is 1.27x, so the 1.25x SBA minimum for an initial acquisition is met on either measure SOP 50 10 8.1 allows. On the proposed debt structure, pro forma DSCR was 0.90x in FY2023 and 1.15x in FY2024, rising to 1.39x in FY2025: the trend supports the trailing-year figure, but earlier years would not have covered this level of debt.

6.2 Global cash flow

Global cash available is $622,800: business cash of $515,800 plus the guarantor's $150,000 salary and $65,000 of spouse income, less $48,000 of estimated personal taxes and $60,000 of living expenses. Against global debt service of $412,375 (business $371,575 plus personal $40,800), **global DSCR is 1.51x**.

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7. Sensitivity analysis

Revenue decline	Base rate	+1.0%	+2.0%	+3.0%
0%	1.39x	1.34x	1.29x	1.24x
5%	1.20x	1.15x	1.11x	1.07x
10%	1.01x	0.97x	0.94x	0.90x
15%	0.82x	0.79x	0.76x	0.73x
20%	0.63x	0.61x	0.59x	0.56x

Stressed EBITDA reduces revenue at the 42.0% contribution margin; rate shocks re-price the SBA loan. Revenue can fall about 10.3% before DSCR drops below 1.00x at the base rate. A 2% rate rise alone keeps DSCR at 1.29x.

8. Collateral

Collateral	Value basis	Value ($)
Business assets	Orderly liquidation value (sample)	420,000
Personal real estate equity	Equity available (sample)	150,000
Total		**570,000**

Coverage is 26.3% of the loan, typical of a goodwill-heavy acquisition. The shortfall is addressed by taking all available business assets and personal real estate equity; the lender should confirm its own collateral policy.

9. Guarantor analysis

(Sample narrative.) A live memo summarises the guarantor's personal financial statement, liquidity after the $160,000 injection, net worth, credit report and contingent liabilities. Personal debt service in the global analysis is $40,800 a year (mortgage $30,000, auto $7,200, cards $3,600).

10. SBA eligibility and compliance checks

- **Transaction category:** initial acquisition under SOP 50 10 8.1 (Appendix 15); minimum DSCR 1.25x on historical cash flow.
- **Equity injection:** $241,000, 10.0% of the $2,410,000 project cost: $160,000 buyer cash plus an $81,000 seller note on full standby.
- **Limited sources:** the seller note on full standby is 33.6% of the required injection, within the 50% cap on limited sources; buyer cash supplies the remaining 66.4%.

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- **Quality of earnings:** the $2,200,000 business purchase price is below the $3,000,000 threshold, so SOP 50 10 8.1 does not require an independent QoE; the lender may still require one.
- **Valuation:** an independent business valuation from a qualified source is required for every acquisition; total acquisition debt cannot exceed it.
- **Lender to confirm:** borrower eligibility (including citizenship requirements), IRS verification of tax returns, the security interest in accounts receivable and inventory, and all other SOP 50 10 8.1 requirements.

11. Strengths and weaknesses

Strengths	Weaknesses
Revenue up 17.2% over two years; margins rising each year	Pro forma DSCR below 1.00x in FY2023
Trailing DSCR 1.39x; global DSCR 1.51x	Collateral coverage only 26.3%
Liquid balance sheet; debt to worth falling to 0.72x	Owner transition risk on a founder-led business
Buyer cash injection of $160,000	DSCR near 1.00x if revenue falls about 10%

12. Risks and mitigants

Risk	Mitigant
Customer or technician loss after the founder exits	Seller transition and consulting agreement; key-technician retention plan
Revenue decline (weather, housing market)	Maintenance base, $144,225 excess cash flow, working capital funded at close
Rate increases on a variable-rate loan	DSCR 1.29x even with +2% rate shock
Collateral shortfall	Lien on all business assets and available personal real estate equity; life insurance on guarantor

13. Recommended conditions and covenants

1. Seller note on full standby for the life of the SBA loan, documented on the lender's standby agreement.
2. Seller transition and consulting agreement of at least 90 days (sample term; SOP 50 10 8.1 allows up to 24 months in aggregate).
3. Independent business valuation from a qualified source supporting the purchase price and total acquisition debt.
4. Life insurance on the guarantor, assigned to the lender, in an amount set by lender policy.
5. Lien on all business assets and available personal real estate equity.

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6. Annual business and personal tax returns and year-end financial statements within 120 days of year end (sample term).
7. Minimum business DSCR of 1.25x tested annually (sample covenant).

14. Risk rating

[Lender to assign on its own scale.] Analyst view: acceptable risk, supported by trailing cash flow and global support, tempered by collateral shortfall and transition risk.

Scope and limitations

Prepared from documents supplied by the client. Figures are not audited or independently verified. This memorandum is analysis to support the lender's own credit decision; it is not a credit approval, a commitment to lend, or legal, tax or SBA compliance advice.