



SBA Information Notice

TO: All SBA Employees

CONTROL NO.: 5000-1278

SUBJ: Revision to SOP 50 10 5(E) – Change of
Ownership Transactions

EFFECTIVE: 07/01/13

This Information Notice announces a revision to Standard Operating Procedure (SOP) 50 10 5(E) regarding the structure for change of ownership transactions involving the purchase of stock or partnership or membership interests. Currently, the SOP states that the business must be the borrower in such transactions and the loan may not be made to an individual. (SOP 50 10 5(E), Subpart B, Chapter 2, Paragraph IV.H.3.) Effective July 1, 2013, in change of ownership transactions, an individual may obtain a 7(a) loan as a co-borrower to purchase ownership of a small business, provided that all of the following conditions are satisfied:

- The loan application must meet the requirements set forth in 13 CFR 120.202, *Restrictions on loans for changes in ownership* (i.e., loan proceeds must not be used to purchase a portion of a business or a portion of another owner's interest in a business);
- The Note must be executed, jointly and severally, by both the individual and the business (in other words, the individual and the business entity must be co-borrowers). (Note: If the small business denies liability on the debt based on an alleged failure of consideration under applicable state law, SBA may deny liability on its guaranty.); and
- The application must show that the change of ownership will promote the sound development and/or preserve the existence of the small business applicant.

An updated version of SOP 50 10 5(E) incorporating these changes will be posted on SBA's website at www.sba.gov. As with previous editions of SOP 50 10 5, SBA will post two versions on the website. The first version will show all changes as "tracked changes" and the second will incorporate all changes.

Questions

Questions on how to structure a change of ownership may be directed to the Lender Relations Specialist in the local SBA district office. The local SBA district office may be found at www.sba.gov/localresources.

Jeanne A. Hulit
Associate Administrator
Office of Capital Access

EXPIRES: 07/01/14

PAGE 1 of 1

SBA Form 1353.3 (4-93) MS Word Edition; previous editions obsolete
Must be accompanied by SBA Form 58