

The 10 Questions That Kill a Bad Deal in 60 Seconds

You just ran the listing through the Paycheck Test, and it pays. Before you spend a weekend on it, ask the broker these 10.

The 10 questions Ask the broker, in this order

1 **Why is the owner selling, why now, and what's changed in the last 12 months? How long has it been listed, and has it been under a letter of intent before?**

WHAT YOU WANT TO HEAR

A clear reason with a date on it. The owner is retiring, moving, or had a health change, and can tell you when they decided. Sales are steady or growing, and every change comes with a reason and a number: a price increase that stuck, a new hire who's working out, a customer added. Ask for monthly sales for the last 24 months, and they should be flat or growing into the sale.

WHAT TO WORRY ABOUT

A vague answer, or a story that changes each time you ask. "He's burned out" right after a big customer left. Sales down this year, a big client gone, a key person who quit, a new competitor, or a lawsuit nobody mentioned. A listing that's been up a long time, or was under a letter of intent before, and the broker won't say why it fell through. Or a broker who only wants to talk about the 3-year average.

WHY YOU ASK IT

The reason tells you what the owner knows that you don't. Some owners sell at the top, and some sell right before trouble, and the monthly sales show you which one this is. The last 12 months is the business you'd actually be buying, and lenders get careful fast when the numbers drop year over year, so a slide you miss now turns into a loan you can't get later. If this year is weaker, run the Paycheck Test again on this year's cash flow, not the listing's.

2

If the owner took a month off, what would happen to sales and the daily work, and how many hours a week does the owner work?

WHAT YOU WANT TO HEAR

A manager or a lead runs the day. Sales come from repeat customers, contracts or referrals, not the owner's phone. Someone besides the owner holds the licenses the business needs, or can qualify for them. Ask for the org chart with each license holder named.

WHAT TO WORRY ABOUT

"Customers ask for him by name." "He does all the selling." "He's the only one with the license." Watch the hours too: an owner who works 60 hours a week is handing you a 60-hour job.

WHY YOU ASK IT

If earnings drop the minute the owner stops pushing, you're not buying a business. You're buying the owner's job, with a loan on it. If only the owner holds a license the business needs, and no one on staff can get it, the lender won't approve the deal. And if you'd have to hire a manager to do the owner's job, that salary comes straight out of your paycheck.

3

Would the seller carry part of the price as a note, on full standby behind the SBA loan?

WHAT YOU WANT TO HEAR

"Yes, he's open to it." A note that takes no payments of principal or interest for the whole term of the SBA loan, with the amount and terms written into the letter of intent.

WHAT TO WORRY ABOUT

"All cash at closing, no exceptions." Or a seller who will carry a note only if he's paid on it from day 1. Or a seller who wants an earnout, a share of future profits instead of a fixed note. The SBA does not allow seller earnouts on a 7(a) deal.

WHY YOU ASK IT

A seller who won't leave any money in the deal may be telling you what he thinks the next 10 years look like. Under SBA rules, a seller note on full standby can count for up to half of the 10% minimum down payment, so it lowers the cash you bring. A note that takes payments doesn't count toward the down payment, and its payments come out of your paycheck. If the Paycheck Test only paid with "The seller helps" ticked, this answer decides the deal.

4 What share of last year's sales came from the top 2 customers, and are they on contracts?

WHAT YOU WANT TO HEAR

The top 2 together are under 20% of sales. They've been buying for years, on contracts or steady repeat orders. Ask for sales by customer for the last 3 years. Names can be blacked out.

WHAT TO WORRY ABOUT

One or two customers carry more than 35% of sales, with no contract. A big customer whose orders shrank last year. Or a broker who won't break sales out by customer at all. Also ask whether those customer contracts carry over to a new owner, or end when the owner changes.

WHY YOU ASK IT

Your loan payment doesn't shrink if a big customer walks after the sale. Losing a customer costs you more than their share of sales, because the rent and the payroll stay the same. Our first-screen guide: over 20% is worth a hard look, and over 35% is a real problem.

5

Does the cash flow on the listing tie to the business tax returns for the last 3 years?

WHAT YOU WANT TO HEAR

"Yes. Here are the returns, and here's a sheet that walks from the return to the cash flow number." Ask for 3 years of business tax returns, plus this year's profit and loss statement next to the same months last year. The numbers should line up, and every gap should come with a reason.

WHAT TO WORRY ABOUT

"The returns don't really show it." "The real numbers are in the profit and loss statement." A seller who won't send returns until you've made an offer. Or a cash business where the sales on the returns sit well under what the broker is quoting.

WHY YOU ASK IT

The bank lends on what the tax returns show, not on the listing, unless a CPA has reviewed or audited the books. On a standard SBA loan, the lender pulls the tax transcripts straight from the IRS and matches them to the seller's numbers before the loan funds. If the returns don't back up the cash flow, the bank won't either, and you've spent weeks on a deal that can't close.

6 Could you send the list of add-backs in that cash flow number, with the dollar amount for each one?

WHAT YOU WANT TO HEAR

A short list. Interest, depreciation, amortization, and the owner's actual salary. Maybe rent on space that truly sits empty. Every line has a dollar amount you can find on the return.

WHAT TO WORRY ABOUT

A long list of personal meals, travel, the car, health insurance, the cell phone, donations, payroll taxes, or anything called "discretionary." Watch for what's missing too. If the owner pays himself well below market, or rents the building from himself cheap, the real cost of running it is higher than the listing shows.

WHY YOU ASK IT

You can't fool the government twice. If the owner ran a personal cost through the business and deducted it on his taxes, the bank won't add it back. Every bad add-back makes the price look cheaper than it is, and for most small businesses a fair price sits around 2.5 to 3.5 times the cash flow that's left once you take them off.

7 Is the space leased or owned, and how many years are left on the lease, with renewal options?

WHAT YOU WANT TO HEAR

Years left plus renewal options that are yours to use, together reaching at least 10 years. A landlord who's open to working with a buyer. Or the owner owns the building and will sign you a long lease. Ask for the lease and every amendment.

WHAT TO WORRY ABOUT

A year or two left, no options, and a landlord who won't talk. A big rent jump waiting at renewal. Or the owner owns the building but won't sign you a 10-year lease and won't sell it.

WHY YOU ASK IT

SBA lenders want the lease, plus renewal options that are yours to use, to run at least as long as the loan. An SBA loan to buy a business runs up to 10 years unless real estate is part of it, so plan on a lease that reaches 10. A short lease can stall the whole loan, and a rent jump after closing comes out of your paycheck.

8 Which people are key to running the business, how long have they been there, and what's the plan to keep them?

WHAT YOU WANT TO HEAR

The broker can name the key people, how long they've been in the seat, and when you'll meet them before closing. Staff usually don't know about the sale yet, and that's normal. Ask for the staff list with role, years in the seat, and pay. Names can be blacked out.

WHAT TO WORRY ABOUT

One person holds all the know-how, and there's no plan to keep them. Family on payroll who leave at closing, or who are paid below market, so you'd have to replace them at full pay. Key people with no reason to stay once the owner's gone.

WHY YOU ASK IT

If the key person quits, you become the key person, and that's a job, not a business. Below-market pay is a hidden cost too, because the listing's cash flow counts on a wage you won't be able to keep paying. Take any gap to full pay off the cash flow before you trust the number.

9 How long will the owner stay to train the new owner, and is that time included in the price?

WHAT YOU WANT TO HEAR

At least 3 months, included in the price, and 6 is where to start. On a big deal, up to 12. The hours a week and what he'll teach are spelled out. The plan goes into the letter of intent, not a handshake.

WHAT TO WORRY ABOUT

"Two weeks of training." Or the owner wants to be paid extra, on top of the price, to stay at all. A seller who fights a few months of help may be hiding something about how the business really runs.

WHY YOU ASK IT

The customers, suppliers and staff know the owner, not you, and the handover is when they decide whether to stay. Under SBA rules the seller can't stay on as an owner or an employee, so the seller's time is set up as a consulting agreement, for up to 24 months. Put the hours and the months in the letter of intent, so the help you're counting on isn't a surprise bill after closing.

10

How much cash does the business need on hand to run month to month, is any of it included in the price, and how old is the equipment?

WHAT YOU WANT TO HEAR

A clear number, like about 3 months of payroll and bills. Enough cash or receivables stay with the business to cover it, or the lender can put it in the loan. The equipment's been kept up and replaced on a schedule. Ask for the receivables aging report and the equipment list with ages.

WHAT TO WORRY ABOUT

"The buyer brings their own." Most of the cash is stuck with slow-paying customers. Or "everything's original, nothing's been replaced in years," which means the trucks and machines are about to become your bill.

WHY YOU ASK IT

Payroll is due on day 1, before your first customer pays you. The lender checks that there's enough working capital to carry the business through the first 12 months. And an owner who stopped replacing equipment shows a fatter cash flow on the listing, while you pay for the replacements in year 1.

Walk away on the spot if you hear

"The real numbers aren't on the tax returns." The bank lends on what the returns show. Unless a CPA has reviewed or audited the books, the deal can't close on that cash flow.

"Only the owner holds the license, and no one on staff holds it or can qualify for it." Without a license holder, the lender won't approve it.

The broker won't share any financials until you send a letter of intent, even after one more ask. Ask once for a full look at the business and its financials, because there's no basis for an offer without them. If they still don't come, move to the next listing.

The broker asks for a deposit before you can make an offer. An offer is a letter of intent, and it costs you nothing to send. You never pay to earn the right to make one.

They skip the letter of intent or indication of interest and send you straight to the asset purchase agreement. Price and terms get agreed in the letter of intent, before anyone pays a lawyer to draft the purchase agreement. Going straight to the purchase agreement means paying legal fees just to find out what the terms are.

What Regalis Pro does with this

Regalis Pro gives you a deal team to go over the broker's answers with you on unlimited 1-on-1 calls, plus a full valuation once a month on a deal you want to chase. Up to 10 new deals matched to your buy box land in your Deal CRM each night, each one already run through 9 checks.

Sources

SBA SOP 50 10 8.1, Lender and Development Company Loan Programs, effective October 1, 2026

change of ownership rules: loan term, seller consulting up to 24 months, tax transcript checks, lease term, the 12-month working capital check, working capital in the loan, seller notes on full standby

SOP 50 10 8.1 Technical Policy Updates, full text

Appendix 15, change of ownership; Appendix 15, Equity Requirements, Limited Equity Injection Sources: seller debt on full standby may count as equity, limited sources may provide no more than half of the required equity injection, 10% minimum on an initial acquisition

SBA 7(a) loans overview

The add-back rule, the price range, the license rule, how lenders treat falling sales, the training time, the 3 months of working capital and the walk-away lines are Regalis Capital's own deal rules. The customer-share figures are Regalis Capital's first-screen guide, not a lender or SBA rule.