SANITIZED CREDIT MEMO CASE STUDY

Lender-Ready Debt Facility Package

A synthetic lender package for a founder-owned operating company seeking a senior debt facility, built to translate a working model into lender-facing covenant, collateral, liquidity, and downside-risk materials.

Buyer problem
Company needs lender materials that are tighter than an investor deck and less fragile than a raw workbook.

Work product
Credit memo, debt sizing model, covenant bridge, collateral schedule, diligence request list, and lender Q&A prep.

Data status
Generic borrower name and synthetic data. No client records.

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1. Executive Credit Snapshot

FACILITY ASK	BASE DSCR	LIQUIDITY FLOOR	COLLATERAL COVER
$8.5M Senior secured revolver plus term loan	**1.72x** Next twelve months debt service coverage	**$1.9M** Cash plus revolver availability	**1.45x** Eligible AR and inventory coverage

The package converts a management forecast into a lender-view case, with explicit treatment for seasonality, customer concentration, inventory turns, and covenant headroom.

Credit question	Package treatment	Decision use
Can the borrower service debt?	Monthly EBITDA, cash interest, scheduled amortization, DSCR, and fixed-charge coverage.	Set facility size and required amortization.
What protects the lender?	Borrowing base by eligible AR, eligible inventory, advance rates, reserves, and concentration caps.	Size revolver availability and borrowing-base controls.
What breaks the case?	Stress tests for revenue miss, margin compression, AR stretch, and inventory write-down.	Define covenants and reporting cadence.
What diligence is still open?	Source-linked request list for tax, legal, customer, insurance, inventory, and financial statements.	Move the lender process from narrative to checklist.

> The core deliverable is not a glossy story. It is a lender-readable bridge from historical performance to debt capacity, with the weak spots surfaced before the bank finds them.

2. Debt Capacity And Covenant Design

Facility Structure

Instrument	Amount	Pricing	Use
Revolver	$4.0M	SOFR + 350 bps	Working capital and seasonal inventory build.
Term loan	$4.5M	SOFR + 475 bps	Refinance seller note and fund growth capex.
Equity cushion	$2.0M	Sponsor funded	Close leverage gap and preserve liquidity.

Covenant Headroom

Metric	Base	Covenant	Headroom
DSCR	1.72x	1.25x	0.47x
Senior leverage	2.4x	3.0x	0.6x
Liquidity	$1.9M	$1.0M	$0.9M
Borrowing base	$5.8M	$4.0M	$1.8M

Stress Cases

Case	Revenue	Gross margin	DSCR	Liquidity	Interpretation
Base	$31.5M	42.5%	1.72x	$1.9M	Supports requested facility.
Moderate downside	$28.6M	40.8%	1.34x	$1.2M	Passes with reporting discipline.
Severe downside	$26.4M	38.5%	1.05x	$0.4M	Requires lower leverage or equity cushion.

3. Collateral, Diligence, And Lender Q&A

Borrowing Base

Asset pool	Gross	Eligible	Advance	Availability
Accounts receivable	$5.2M	$4.1M	80%	$3.3M
Inventory	$4.7M	$2.8M	50%	$1.4M
Reserve				($0.7M)
Total availability				$4.0M

Diligence Pack

Workstream	Required evidence
Financials	Trailing monthly P&L, balance sheet, cash flow, debt schedule, and trial balance.
Revenue	Top customer schedule, contract terms, churn history, backlog, and pipeline quality.
Collateral	AR aging, inventory aging, write-off history, lien search, insurance certificates.
Legal and tax	Entity docs, tax returns, litigation summary, compliance certificates.

> The package avoids promising approval. It shows lender-ready analysis, clean credit support, and a disciplined list of remaining diligence.

4. Diligence Tracker And Proposal Use

Request item	Source	Status	Lender relevance	Open issue
Monthly financials	Accounting export	Received	Confirms EBITDA and cash conversion.	Tie balance sheet to trial balance.
AR aging	Billing system	Received	Supports borrowing base eligibility.	Identify concentration exclusions.
Inventory report	ERP export	Open	Supports inventory advance rate.	Separate obsolete and slow-moving stock.
Debt schedule	Management	Received	Confirms payoff and lien release needs.	Obtain payoff letters before close.
Insurance certificates	Broker	Open	Confirms collateral protection.	Add lender loss payee language.
Customer concentration	Sales ledger	Open	Informs covenant and reserve design.	Request contract terms for top accounts.

Credit Committee Questions

Question	Prepared answer
What is the repayment source?	Operating cash flow is primary; collateral liquidation is a secondary support, not the underwriting basis.
What breaks the case?	A 12% revenue miss plus 300 bps margin compression pushes DSCR near covenant level.
Why this facility size?	Debt is sized to base-case cash flow and downside liquidity, not just maximum collateral availability.
What reporting should be required?	Monthly financials, borrowing base certificate, covenant certificate, and AR/inventory detail.

Best Proposal Fit

Job type	Why this sample fits
Debt financing package	Shows the memo, model logic, covenant view, and diligence tracker a lender expects.
DSCR model	Includes base/downside coverage and sensitivity to rate and EBITDA movement.
Borrowing base / revolver	Shows collateral eligibility, advance rates, reserves, and availability.
Bank submission cleanup	Turns raw financials into a clear credit narrative and request list.