

## Committee Memo — Small Business Lending Decision Applicant: [REDACTED]

**Reference:** TN-POC-2024-001 **Prepared by:** Moe Alghannam (Advisor, TrueNorth AI) **Date:** 2024-06-01

### 1. Executive summary

**Recommendation:** Approve a term loan of **CAD 75,000** with a 36-month amortization and a 6-month interest-only period, subject to standard covenants and final documentation.

**Rationale:** Modelled probability of default (PD) indicates a low-to-moderate risk profile relative to the peer cohort; key cash-flow drivers and repayment capacity are supported by 12 months of bank statement cash inflows and verified receivables. The proposed structure preserves capital efficiency while maintaining covenant coverage.

### 2. Key facts (redacted)

- **Business type:** [REDACTED] (SME; services)
- **Incorporation:** [REDACTED]
- **Requested amount:** CAD **75,000**
- **Term:** 36 months (6 months interest-only)
- **Annual revenue (12m):** CAD [REDACTED] (derived from bank statement inflows)
- **Existing facilities:** Overdraft CAD [REDACTED]; no material defaults in last 24 months.

### 3. Underwriting highlights (data-driven)

- **Model score: 0.72** (scaled 0–1; higher = lower risk).
- **Top drivers:** consistent monthly inflows; low variance in receivables aging; limited cash leakage from owner draws.
- **Anomalies flagged:** two large one-off deposits in Q3 2023 (investigate source); elevated supplier concentration (top 2 suppliers = 48% of outflows).
- **Liquidity buffer:** median monthly net cash = CAD [REDACTED]; projected runway at requested repayment = 7 months (post-interest).

### 4. Risk & mitigants

- **Concentration risk:** require supplier diversification covenant and monthly reporting for first 6 months.

- **Anomaly resolution:** condition precedent — provide documentation for two one-off deposits or exclude from cashflow normalization.
- **Monitoring:** automated weekly score refresh; monthly committee memo for first 3 months; trigger for early review if score drops >0.10.

## 5. Pricing & structure

- **Facility:** Term loan CAD 75,000.
- **Pricing:** Prime + 3.0% (subject to final credit approval).
- **Security:** General security agreement; personal guarantee from principal.
- **Covenants:** Maintain minimum monthly net cash  $\geq$  CAD [REDACTED]; no additional secured borrowing without lender consent.

## 6. Operational impact & systems note

This decision was produced using an explainable scoring pipeline that ingests bank statements and digital signals, generates feature-level drivers, and outputs a committee-ready memo with tamper-evident audit metadata. The memo includes: score, ranked drivers, anomaly flags, and recommended conditions. Integration requires no core replacement — outputs delivered via secure API and PDF export.

## 7. Decision options for committee

- **Approve** as recommended with conditions (preferred).
- **Approve with tighter pricing** (Prime + 4.0%) if documentation for one-off deposits is not provided.
- **Defer** pending supplier diversification plan and deposit source verification.
- **Decline** if documentation cannot be provided within 10 business days.

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