



Commercial Credit Memorandum

This credit memorandum was produced by the Apex Commercial Lending Skill for a proposed succession financing facility for Marchetti Precision Components Inc. The borrower group proposes to acquire the business from Robert Marchetti through a leveraged buyout financed by BDC term debt, NBC equipment financing, NBC operating line, and a vendor take-back note. **Requires review and sign-off by a licensed commercial lending officer before any credit decision is made or communicated.**

Executive Summary & Recommendation

Field	Detail
Borrower	Marchetti Precision Components Inc. (Newco Acquisition Holdco)
Vendor	Robert Marchetti (100% shareholder)
Transaction	Share purchase — succession / management buyout
Total facility	\$7,200,000
Equity injection	\$1,200,000 (from Marco & Sofia Marchetti — 14.3% of purchase price)
Purchase price	\$8,400,000 (negotiated; CBV FMV est. \$8.6M)
DSCR (LTM)	1.38x — ABOVE minimum threshold of 1.25x
Credit grade	Grade 3 — Acceptable credit · Proceed to approval
Recommendation	APPROVE — subject to conditions precedent listed below

Proposed Loan Structure

Tranche	Lender	Amount	Rate	Term	Security
BDC Term Loan A	BDC	\$2,350,000	P + 1.75%	10 yr / 15 yr am.	1st charge on assets · GS Robert
BDC Subordinated Debt	BDC	\$500,000	Fixed 8.5%	7 years	2nd charge · quasi-equity
NBC Equipment Facility	National Bank	\$1,800,000	P + 1.25%	5 yr / 7 yr am.	1st on equipment (PPSA)
NBC Operating Line	National Bank	\$1,500,000	P + 0.75%	Demand / annual	Floating charge on A/R + inventory
Vendor Take-Back (VTB)	Robert Marchetti	\$1,050,000	6.0% fixed	5 years / IO yr 1–23rd	charge · subordinated to all banks
TOTAL		\$7,200,000			

Financial Analysis — Three-Year Spread

	FY 2023	FY 2024	FY 2025 (LTM)
Revenue	\$13.4M	\$13.8M	\$14.2M
Gross profit	\$4.29M	\$4.55M	\$4.97M



Commercial Credit Memorandum — Marchetti PCi Succession Financing

Ref: AIA-LEND-2026-MPC-001 · Client: Marchetti Precision Components Inc.

Gross margin %	32.0%	33.0%	35.0%
Reported EBITDA	\$1,743K	\$1,820K	\$1,983K
Normalised EBITDA	\$1,964K	\$2,069K	\$2,277K
Interest expense (new structure)			\$432,000
Scheduled principal repayment			\$394,000
Total debt service			\$826,000
DSCR (normalised EBITDA)			1.38x
OSFI B-20 stressed DSCR (+200bps)			1.18x — ABOVE 1.0x floor
Funded debt / normalised EBITDA			3.16x — within 3.5x policy
Current ratio	1.42	1.48	1.55
Revenue CAGR (3-year)			+3.0%

5C Credit Assessment

C	Assessment	Rating
Character	Marco Marchetti (38, incoming CEO) has 12 years operational experience at the company. Robert will be providing support for 24 months post-close (ac	SATISFACTORY
Capacity	LTM normalised EBITDA \$2,277,000 supports DSCR of 1.38x. Post-close management costs (Marco \$195K vs Robert \$380K) im	SATISFACTORY
Capital	Equity injection \$1,200,000 (14.3% of purchase price). Marco & Sofia personally invested from savings. Adequate for liquidation. Robert providing \$1,05	ADHERSIBLE
Collateral	Security package: general security agreement on all assets of Marchetti PCi; PPSA on equipment (\$2.1M at forced liquidation value); persona	ADEQUATE
Conditions	Tier 2 automotive supplier — tariff headwinds from 2025–2026 US Section 232 tariffs on steel. CUSMA Compliance Audit to be completed within 90 da	CONDITIONAL

Conditions Precedent to Funding

1. Execution of share purchase agreement satisfactory to bank counsel.
2. CBV valuation confirming purchase price within 10% of estimated FMV.
3. PPSA registrations on equipment and general security agreement registered in Ontario.
4. Life insurance policy assigned to NBC on Marco Marchetti (minimum \$2.5M coverage).
5. Robert Marchetti advisor agreement (24 months, \$120,000/year) executed.
6. CUSMA Tariff Audit engagement letter signed — completion within 90 days of close.
7. Customer consent letters from Ford Canada and Stellantis Canada for assignment of supply agreements.
8. CRA compliance certificate confirming nil HST, payroll, and corporate tax arrears.

Compliance review summary: FINTRAC KYC completed — no adverse findings on Marco or Sofia. OFAC screening — clear. Beneficial ownership confirmed: Marco (50%) and Sofia (50%) of Newco Acquisition Holdco. AML risk rating: MEDIUM (family succession transaction — standard profile). SAR indicator: None identified. Fair lending review: No material concerns.

Disclaimer: This credit memorandum was produced by the Apex Invest AI Commercial Lending Skill for the fictional Marchetti Precision Components Inc. succession financing scenario. It does not constitute a credit approval, commitment letter, or term sheet. Requires review and sign-off by the licensed lending officer responsible for the credit decision before any communication to the borrower or submission to a credit committee.