FALCON SERVICES, LLC

Q1 2026 Reporting Package — Lender Reference

Quarter ended March 31, 2026 | Prepared by Falcon Services Finance

Purpose

Quick-reference summary of the Q1 2026 package, the items management is highlighting, and the suggested follow-up cadence. The compliance certificate is the controlling document.

What we're flagging up front

• **Restatement disclosure.** Two restatements from the preliminary April 1 close pack are reflected on the certificate — Q3 2025 inventory reserve adjustment (-$420K) and Q4 2025 lease commencement reclass (+$180K lease expense). Both are methodological. Neither changes the reported compliance status. Both are discussed in the cover letter and the Q1 cert.

• **FCCR cushion is now narrow.** 1.35x against the 1.25x floor. The FCCR trajectory has been 1.81x → 1.58x → 1.35x over the past three quarters. The drivers are the Q4 2025 lease step-up (Lease-Schedule-2026-03.xlsx rows 41-44) and the Tranche B interest run-rate ahead of the April 2026 reset.

• **Working-capital absorption.** DSO expanded from 47 days at September 30, 2025 to 58 days at March 31, 2026. The original underwriting basis assumed 48 days flat. The Working Capital tab in Financials-Q1-2026.xlsx shows the cash gap and the recovery scenario.

• **Customer concentration drift.** Top-3 concentration is now approximately 48% (Customer A 24%, Customer B 14%, Customer C 10%) versus 31% at the May 2024 entry IC memo. Customer A continues to expand scope under the existing MSA. The MSA expires November 30, 2027 with no automatic renewal.

• **CFO transition.** This is my first compliance certificate as CFO. The transition was effective January 22, 2026 (see Board-Minutes-2026-01.pdf p.3 for the resolution).

Suggested follow-up cadence

Working call with the Administrative Agent in early May to walk through the Q2 covenant forecast (incorporating the Tranche B reset and the DSO recovery plan) before the Q2 close. Triggers we would consider escalating ahead of the next reporting cycle: leverage trending above 4.85x, FCCR below 1.30x, DSO sustained above 60 days through April, or any material change in the Customer A renewal posture.

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