EXECUTIVE CREDIT REPORT

Falcon Services, LLC

July 17, 2026

REVENUE	EBITDA	DSCR	FCCR	LEVERAGE	TOTAL DEBT
$228.4M	$42.5M	2.82x	1.35x	4.78x	$210.5M

RECOMMENDATION **APPROVE WITH CONDITIONS**

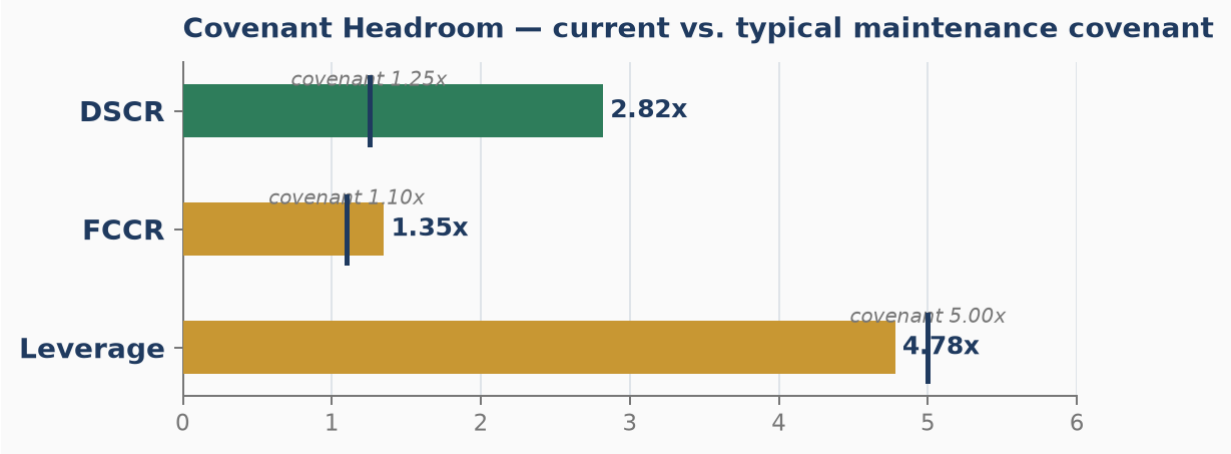
Approve with Conditions — credit profile supports the facility subject to: require equity-cure language and quarterly covenant monitoring given ($38.6M) book equity; size facility with step-down leverage covenant from 4.78x; tight fixed-charge coverage — track monthly.

Credit Narrative

Falcon Services, LLC generates $228.4M of revenue and $42.5M of EBITDA (18.6% margin). Total debt of $210.5M; 4.78x leverage. Coverage — DSCR of 2.82x (1.57x cushion to a typical 1.25x maintenance covenant) and FCCR of 1.35x. Book equity of ($38.6M) is negative — worth probing with management to confirm the driver (accumulated losses, distributions, goodwill impairment) and sponsor support.

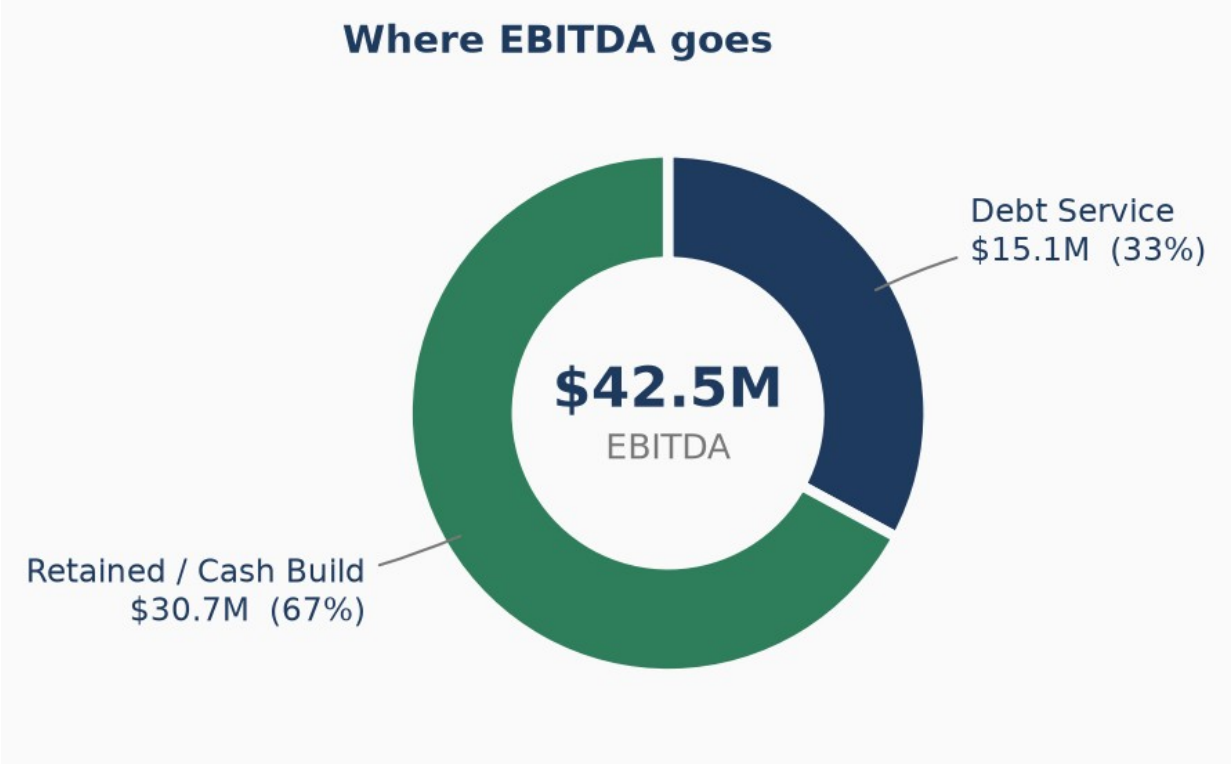
Covenant Headroom

Current values vs. typical middle-market maintenance covenants. Final covenants to be confirmed in term-sheet negotiation.



Metric	Current	Typical Covenant	Headroom
DSCR	2.82x	1.25x	+1.57x
FCCR	1.35x	1.10x	+0.25x
Leverage	4.78x	5.00x	+0.22x

EBITDA Allocation



Annualized EBITDA split across debt service, CapEx, tax, and retained cash build.

Credit Snapshot

Metric	Value
Revenue	$228.4M
EBITDA	$42.5M
EBITDA Margin	18.6%
Total Debt	$210.5M
Annual Debt Service	$15.1M
DSCR	2.82x
FCCR	1.35x
Leverage	4.78x
Accounts Receivable	$36.3M
Days Sales Outstanding	58 days
CapEx	($3.2M)
Net Income	$3.4M
Book Equity	($38.6M)

Key Risks

Risk 1 — Capitalization: negative book equity

Book equity of ($38.6M) is negative, signaling accumulated losses, prior distributions, or goodwill carry. In a downside case, equity cushion to absorb EBITDA volatility is thin.

Mitigant: Cash-flow generation remains strong ($42.5M of run-rate EBITDA, 2.82x DSCR); require equity-cure language, quarterly covenant compliance reporting, and diligence on the driver of negative equity before close.

Risk 2 — Leverage posture

Leverage of 4.78x is above the ~4.00x middle-market mean, amplifying sensitivity to an EBITDA miss.

Mitigant: Size the facility with scheduled amortization and an incurrence-based leverage covenant that steps down over the life of the loan.

Risk 3 — Fixed-charge coverage

FCCR of 1.35x leaves modest cushion against the combined drag of debt service, rent, and capex.

Mitigant: Monitor FCCR trend quarterly; include a reserve for step-ups in the capex plan.

Risk Signals — STRONG

Observed values vs firm policy across portfolio LTV, concentration, T-3 expense creep, debt-service runway, and title. Verdict cites the band each metric crosses.

Rolled-up band: STRONG = all metrics within policy. MODERATE = 1-2 metrics approaching policy, none exceed. WEAK = any metric exceeds policy OR 3+ approaching. Threshold derivation in workbook (Source sheet).

Metric	Observed	Firm Policy	Verdict
DSCR	2.82x	firm min 1.20x	within policy

Decision Frame

What must be true

- DSCR stays at or better than 1.25x (currently 2.82x).
- FCCR stays at or better than 1.10x (currently 1.35x).
- Leverage stays at or better than 5.00x (currently 4.78x).
- Driver of negative book equity is confirmed as accumulated-losses / goodwill rather than active distributions — and stays bounded during the facility.

What would change this

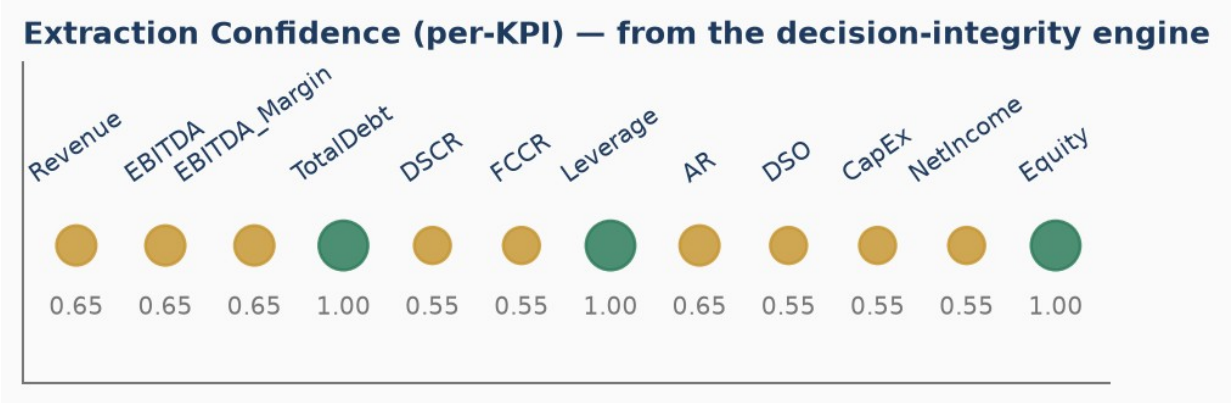
- A sustained drop of DSCR below 1.25x (today 2.82x) — driven by EBITDA compression or rising debt service — moves the recommendation to APPROVE WITH CONDITIONS → WATCH.
- Leverage crossing 5.00x (today 4.78x, 0.22x below typical ceiling) on trailing basis would require restructuring of the covenant schedule or a tighter cap.
- Revenue quality downgrade — concentration loss, customer churn, or a clawback / reversal above 5% of trailing revenue — would trigger a re-run of the scenario deck before any covenant relief or facility expansion.
- New evidence that materially shifts extracted KPIs — a restated financial, a waiver, or an amendment — triggers a fresh pipeline run and a new evidence fingerprint stamped on this memo.

Likely committee pushback

- How confident are we in TERMYEARS at 7.0 yrs? The extraction engine also saw 7.1 yrs; Confidence: low (review recommended).
- Book equity is negative — is this accumulated losses, sponsor distributions, or goodwill impairment? What's sponsor's willingness to equity-cure?
- Aggregate confidence is 55% — which sources are driving down the score, and what would we need to raise it above 85% before IC?
- On capitalization: negative book equity: is the mitigant in the term sheet, or is it dependent on post-close monitoring only?

Data Quality & Decision Integrity

Aggregate deal confidence is 55%, reflecting candidate-level scores across the extraction engine. The decision gate flags the deal as decisionable (0 hard blockers, 0 soft).



Reconciled Conflicts

Where two extraction methods disagreed, the engine adopted the primary value and surfaced the alternative for IC review. Confidence is translated from the raw scoring layer — the raw winner_score lives in the accompanying workbook (Source sheet) for auditors who want to inspect the scoring decision.

KPI	Adopted	Alternative	Why adopted
TERMYEARS	7.0 yrs	7.1 yrs	Confidence: low (review recommended)

Source Attribution

- Compliance-Cert-Q1-2026.xlsx
- Underwriting-Model-2024-05.xlsx
- Financials-Q1-2026.xlsx