INVESTMENT COMMITTEE MEMORANDUM

Falcon Services, LLC

Corporate Private Credit

Prepared 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.

Transaction Summary

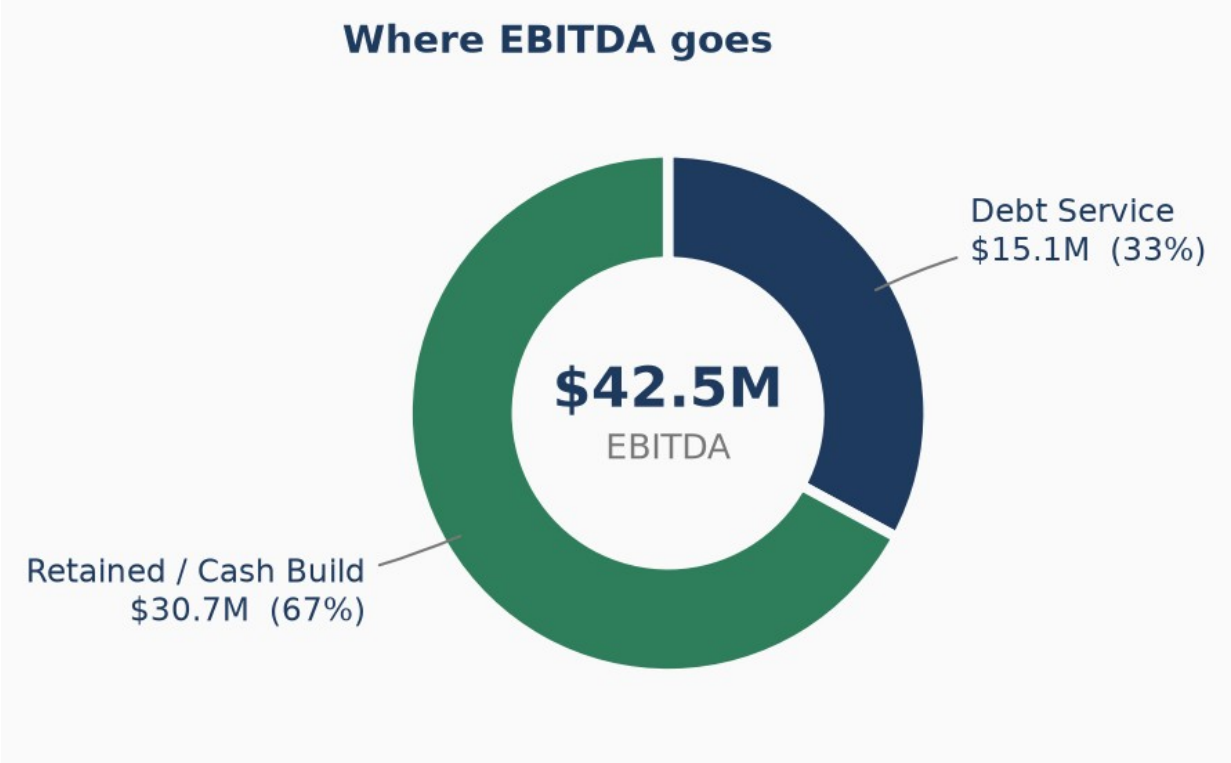
Field	Value
Company	Falcon Services, LLC
Total debt outstanding	$210.5M

Executive Summary

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.

Financial Profile

Metric	Value
Revenue	$228.4M
EBITDA	$42.5M
EBITDA Margin	18.6%
Net Income	$3.4M
CapEx	($3.2M)
Book Equity	($38.6M)



EBITDA allocation derived from reported debt service, CapEx, and tax expense; remainder is cash build available for working capital, distributions, or deleveraging.

Credit Metrics

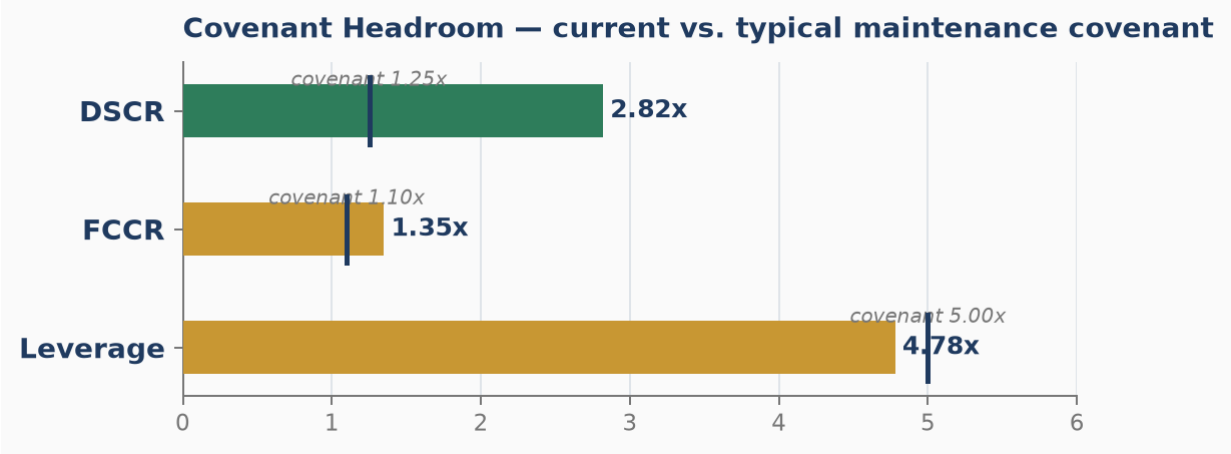
Metric	Value
Total Debt	$210.5M
Annual Debt Service	$15.1M
DSCR	2.82x
FCCR	1.35x
Leverage	4.78x

Working Capital

Metric	Value
Accounts Receivable	$36.3M
Days Sales Outstanding	58 days

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

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

What Must Be True

Conditions the recommendation depends on. Each is anchored on a live metric that can be re-checked on the next run.

- 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

Evidence that materially moves this decision. When any of these lands in a subsequent evidence pack, the pipeline re-runs and a new fingerprint stamps the refreshed memo.

- 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

Questions the memo's own data profile invites. Surfacing them ahead of committee keeps the discussion on decision, not on diligence scope.

- 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?

What This Decision Needs

The data the recommendation rests on, what the pipeline couldn't find, and what would sharpen the call. Stated in ink so the committee never has to ask "is this memo complete?" — the memo answers up-front.

Built on

Revenue / EBITDA. Extracted from the evidence pack: Revenue (trailing), EBITDA (run-rate), Capital expenditures, Net income.

Debt profile. Extracted from the evidence pack: Total debt outstanding, Annual debt service.

Coverage ratios. Extracted from the evidence pack: Debt-service coverage, Fixed-charge coverage.

Working capital. Extracted from the evidence pack: Accounts receivable, Days sales outstanding.

Leverage / capitalization. Extracted from the evidence pack: Leverage ratio, Book equity.

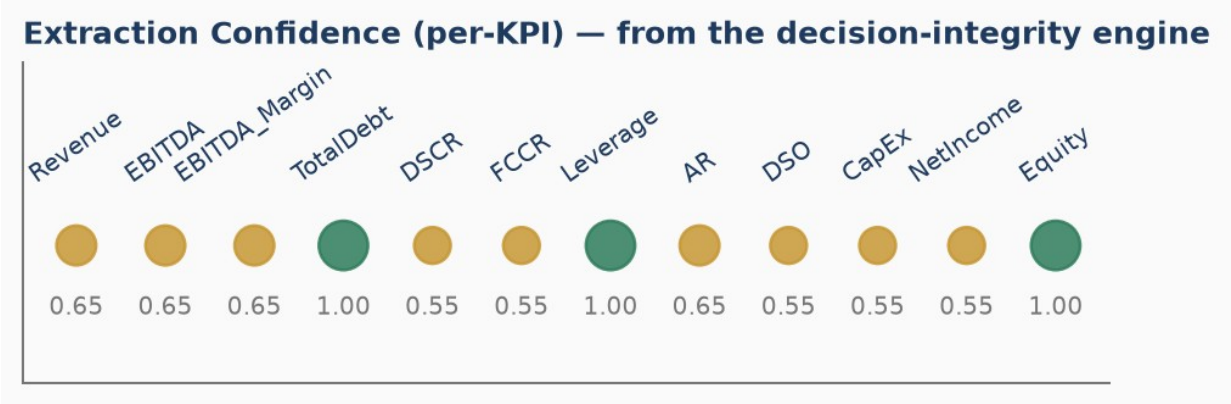
TERMYEARS (reconciled). Adopted 7.0 yrs over alternative 7.1 yrs — Confidence: low (review recommended).

Investment Highlights

- $228.4M revenue / $42.5M EBITDA (18.6% margin).
- DSCR 2.82x — 1.57x cushion to a typical 1.25x maintenance covenant.
- FCCR 1.35x against a typical 1.10x fixed-charge covenant.
- Leverage 4.78x — 0.22x cushion below a typical 5.00x ceiling.

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

Metrics in this memo are derived from the following source documents; full candidate-level provenance is available in the accompanying workbook (Source sheet).

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