

COMPLIANCE CERTIFICATE

Pursuant to Section 4 of the Credit Agreement

Harbor Retail Group, LLC

For the Fiscal Quarter Ended September 30, 2025

COVENANT BREACH NOTICE

Interest Coverage Ratio has fallen below the minimum required level.
Management is actively engaging with lender regarding remediation.

OFFICER'S CERTIFICATION

I, the undersigned Chief Financial Officer of Harbor Retail Group, LLC (the "Borrower"), hereby certify to Commerce Bank & Trust (the "Agent") as follows:

FINANCIAL COVENANT COMPLIANCE

1. Leverage Ratio (Maximum 4.50:1.00)

Component	Amount
Total Debt (as of September 30, 2025)	\$31,200,000
EBITDA (TTM ending September 30, 2025)	\$7,150,000
Leverage Ratio	4.36x
Covenant Requirement	Maximum 4.50x
Status	WARNING
Headroom	3.1%

2. Interest Coverage Ratio (Minimum 2.00:1.00)

Component	Amount
EBITDA (TTM ending September 30, 2025)	\$7,150,000
Interest Expense (TTM ending September 30, 2025)	\$3,972,000
Interest Coverage Ratio	1.80x
Covenant Requirement	Minimum 2.00x
Status	BREACH
Shortfall	-10.0%

BREACH EXPLANATION:

The Interest Coverage Ratio of 1.80x is below the required minimum of 2.00x. This breach is attributable to:

- Declining same-store sales (-8.2% YoY) due to increased e-commerce competition
- Rising interest rates increasing debt service costs by \$680,000 annually
- Store closure costs in Q2 2025 (\$1.2M one-time charge)
- Inventory write-downs of \$850,000 related to seasonal merchandise

Remediation Plan: Management has engaged restructuring advisors and is in active discussions with the lender regarding a potential covenant waiver and amendment.

3. Fixed Charge Coverage Ratio (Minimum 1.10:1.00)

Component	Amount
EBITDA	\$7,150,000
(-) Capital Expenditures	(\$1,850,000)
(-) Cash Taxes Paid	(\$425,000)
Numerator	\$4,875,000
Interest Expense	\$3,972,000
(+) Scheduled Principal	\$2,500,000
Denominator	\$6,472,000
Fixed Charge Coverage Ratio	0.75x
Covenant Requirement	Minimum 1.10x
Status	BREACH
Shortfall	-31.8%

EBITDA CALCULATION (Trailing Twelve Months)

	Q4 '24	Q1 '25	Q2 '25	Q3 '25	TTM
Revenue	\$18.2M	\$14.8M	\$15.1M	\$14.5M	\$62.6M
Net Income	\$420K	(\$180K)	(\$650K)	\$85K	(\$325K)
Interest Exp.	\$920K	\$985K	\$1,032K	\$1,035K	\$3,972K
Taxes	\$105K	\$0	\$0	\$21K	\$126K
Depreciation	\$680K	\$695K	\$702K	\$690K	\$2,767K
Amortization	\$150K	\$150K	\$155K	\$155K	\$610K
EBITDA	\$2,275K	\$1,650K	\$1,239K	\$1,986K	\$7,150K

DEBT SCHEDULE

Debt Instrument	Outstanding	Rate
Commerce Bank Term Loan	\$22,500,000	SOFR + 4.00%
Commerce Bank Revolver (fully drawn)	\$6,200,000	SOFR + 4.00%
Equipment Financing	\$1,800,000	7.25% Fixed
Capital Leases (store fixtures)	\$700,000	Various
Total Debt	\$31,200,000	

LIQUIDITY POSITION

Cash on Hand	\$1,850,000
Revolver Availability	\$0 (fully drawn)
Total Liquidity	\$1,850,000

NEXT STEPS

1. Request formal waiver of Q3 2025 covenant breaches
2. Present turnaround plan to lender by November 30, 2025
3. Engage in amendment discussions for relaxed covenants
4. Explore strategic alternatives including store closures and asset sales

HARBOR RETAIL GROUP, LLC

By: _____

Name: Sandra Chen

Title: Chief Financial Officer

Date: November 10, 2025