CATALINA
ADVISORS

HOW TO SECURE BANK FINANCING FOR OILFIELD SERVICE COMPANIES

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Here is what you can expect over the coming pages

INTRODUCTION

Who am I and why should you care?

Welcome, and thanks for downloading this intro to bank lending for oilfield service companies. I'm Phillip Bannon, and I am the Founder and CEO of Catalina Advisors – a consulting firm that was built to help businesses secure debt financing – especially businesses in challenging markets like the oil patch. Prior to Catalina, I was an oilfield services banker for more than a decade. I loaned hundreds of millions of dollars to oilfield service ("OFS") companies, and when times got tough, I rolled up my sleeves and worked with my clients to get to the other side of the downturn.

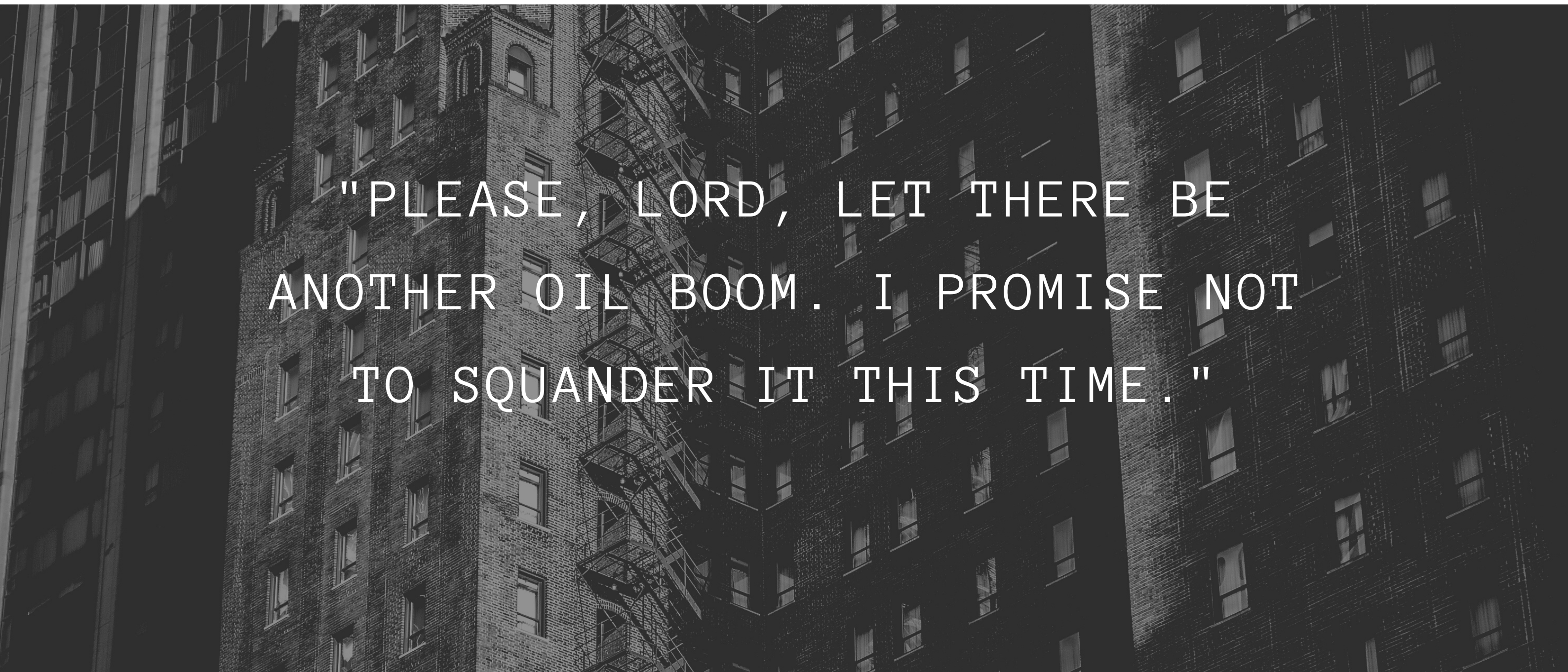
Oilfield services is a tough sector to lend to, and I am acutely aware of the factors that banks consider when deciding to lend (or not lend!) to this space. But there are some things that owners and management teams can do to set themselves up for success. That's why I wrote this guide, to give management teams a sense of control over the process. I have tried to stay relatively informal throughout to keep the concepts approachable and easy to digest. It is my sincere hope that you are able to extract some value out of the content included herein. Let's dive in.

Why Is it so Hard for OFS Companies to Secure Bank Financing?

It is no secret that oil and gas companies of all shapes and sizes can be very difficult to finance. Small and mid-sized OFS companies typically suffer considerable losses during oil downturns, and those downturns can be tough to predict. Globally, oil is a relatively “inelastic” commodity – meaning the supply and demand for oil typically do not change dramatically with price. That’s true globally, however, in the U.S., operators are extremely sensitive to even small changes in market conditions, and their capital budgets for any given year can vary dramatically with oil price. Pair this with the fact that the price of oil is highly sensitive to small changes in both production and demand expectations, and you quickly have a recipe for a highly cyclical domestic market.

Said another way: A small change in the expected supply or demand of oil causes a significant change in the price of oil. A significant change in the price of oil has enormous implications for the capital budgets of domestic operators, and the capital expenditures of operators drive the profitability of oilfield service businesses.

This can be both a good and a bad thing. In the good years, OFS businesses tend do quite well. But in the bust years, well... those tend to be periods of suffering. And the bust years are hard to predict. Hence the common saying, “Please, Lord, let there be another oil boom. I promise not to squander it this time.”



Nuances of the Oilfield

So, we know that the profitability of oilfield businesses can vary dramatically in any given year. That, in itself, makes it tough to lend money into the space. But there is actually a bit more to the story. When a bank underwrites a loan, it looks at more than just the profitability of the business over the most recent year or two. It also examines the assets of the business – the assets that will collateralize any proposed loan. This is where banks get themselves in trouble in the oilfield. Unless the bank has a specialized team of bankers dedicated to the oil and gas business, the bank may fail to understand the nuances of oilfield assets. Specifically, the bank may not understand that oilfield service assets are worth a WHOLE LOT LESS in bad years than they are in the good years.

See, this is how most bankers think: “If the borrower’s profitability falls apart, at least we’ve got the assets as collateral to make us whole on the loan.” Thus, the non-specialized banker that makes a loan at 80% or 90% of the value of the company’s assets feels safe. But in the oil patch, the situation is not that straightforward.

If the profitability of an oilfield service business is diminished, that probably means that MOST oilfield service businesses are struggling all at the same time. This causes two problems for the bank’s collateral position: (1) The market is flooded with idle assets for sale, and (2) there are very few buyers for those assets. This dramatically reduces the bank's collateral value and puts the banker in a challenging position.

Oilfield service businesses react violently to material changes in market conditions and therefore require capital partners who are experts in the field.

A Solution

But the reality is that very few banks have dedicated OFS professionals on staff, and, because of this, they tend to lend into hot markets, allow borrowers to over-leverage themselves, and panic at the dramatic change in performance during a downturn. This is bad for the OFS market in general, as it causes unpredictability in the access to reasonably priced capital (bank lines of credit or term loans). During good years, banks are knocking at your door and providing more capital than is prudent, but during bad years, you can't get a banker to return your calls.

The losers in this scenario are typically the OFS businesses themselves. This whipsawing makes it challenging for management teams to have confidence in their ability to access capital. As a result, capital budgeting for growth and liquidity becomes significantly more difficult.

So what can be done? The best way to improve the odds of securing reasonably priced financing from a bank is to approach the capital raising process in a systematic way, one that puts the best foot forward for your business. Not only will you increase your business's overall access to capital, but you will position yourself to save hundreds of thousands of dollars over the life of the loan. This process is extremely impactful and is outlined over the coming pages.

KEYS TO SUCCESS

Preparing Your Information

I don't want to overpromise anything. There will be market conditions during which getting a bank loan will be nearly impossible. If the oil patch is suffering, most banks won't entertain an OFS loan. That being said, there are some things that you can do to increase your odds for the best possible outcome. The overall goal here is to remove as many reasons to say "NO" as possible, but there is more to the story. When you run a process like this, you inherently get a much better deal than you would otherwise. What is a better deal? It's the right amount of capital, at the lowest available pricing, with the most amicable terms. This can be a game changer for any business.

1 Get Your Current Financial Ducks in a Row:

Nothing scares lenders off faster than financial statements in disarray. Right or wrong, banks will always look to historical performance as an indicator of your company's ability to repay any borrowed money. If your financials don't tick and tie, the bank will begin to doubt the accuracy of all of the information you have provided. Simple things go a long way here.

a. Make sure your balance sheet balances at the end of each period – typically this is handled automatically by most accounting software, but it is worth double-checking that Assets = Liabilities + Equity.

b. Don't send a giant Quickbooks (or other software) output to the bank that lists every ledger account of your business. This is a nightmare for banks to unscramble, and you are increasing the likelihood that the banker will find something in your financials that they don't like ("they pay themselves too much" or "they spend WAY too much on entertainment"). Remember, we are trying to remove all of the reasons to say "no" while streamlining the process.

c. The best approach with accounting statements is to compile summary financials for at least the previous two years (or the two full preceding years plus financials for the year-to-date). If you haven't operated for more than two years, that's okay, just prepare what you have and make sure the bank knows that. What gets included in summary financial outputs? Check out the next page for a simple example.

What do Summary Financials Look Like?

INCOME STATEMENT

Revenue
Cost of Goods Sold
Gross Profit

SG&A Expenses
Operating Profit

Interest Expenses
Depreciation & Amortization
Other Expenses/(Income)

NET INCOME

Getting to EBITDA: Banks use Earnings Before Interest, Taxes, Depreciation, & Amortization ("EBITDA") as an approximation of cash flow for your business. A Summary Income Statement formatted similar to the one shown above makes it easy to calculate EBITDA quickly.

BALANCE SHEET

ASSETS
Cash
Accounts Receivable
Inventory
Other Current Assets
Total Current Assets

PP&E
Other Long-Term Assets
TOTAL ASSETS

LIABILITIES
Accounts Payable
Current Portion of Debt
Other Current Liabilities
Total Current Liabilities

Long-Term Debt
Other Long-Term Liabilities
TOTAL LIABILITIES

EQUITY
Paid in Capital
Retained Earnings
TOTAL LIABILITIES + EQUITY

Assets = Liabilities + Equity

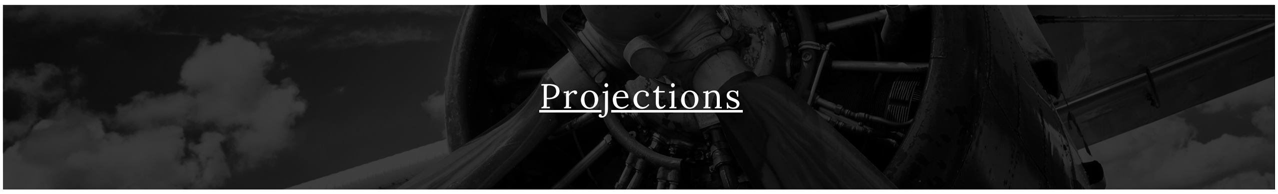
Finishing Up the Financials

d. Notice that Statement of Cash Flows and Statement of Retained Earnings aren't included? Because they aren't really needed. One can build these statements using the information contained in an Income Statement and a couple of Balance Sheets. That being said, if you feel like your Cash Flow Statement is accurate and are comfortable speaking to the details, you may include it with your financial package. If not, just make sure you can address the following two items:

i. Maintenance Capex – The amount of money the business spends each year maintaining its assets. This is the amount capitalized on the balance sheet rather than expensed through the income statement. Banks think of maintenance capex as a continual cost to the business that is not captured on the Net Income. Many businesses expense all maintenance costs each year (that is, they run them through the income statement rather than capitalize them). If your business fully expenses all maintenance costs when incurred, just let the bank know.

ii. Growth Capex – The amount of money the business spends each year on growing its asset base in the hopes of increasing revenue or reducing costs. Banks view this as a discretionary use of cash that will be shut off in the event of a market downturn, but they want to understand this data point to track where the cash in business has gone historically.

e. Have your tax returns available. Tax forms will vary based on how the business was set up, but have the company's relevant tax forms ready to go. If you are a younger company or a company with aggressive growth or capital needs, expect the owners of the business (if they are not an investment fund) to have to guaranty the loan at least for an initial period of time. This is a sensitive topic, and we have been successful at Catalina with giving owners visibility on removing their personal guarantees. The bank will ask for the tax returns of all of the owners over a certain ownership threshold – usually about 20%.



Projections

2

Provide some clear projections - This trips a lot of businesses up. Management teams often go meet with a banker and provide the historical financials and an overview of the business. Then, when asked about future earnings expectations, say something opaque like “we should do about the same” or “we expect about 10% growth next year." Don’t do this! Have projections for your business prepared in advance. You can even prepare multiple scenarios for the bank to review. For relatively small loans, say loans less than $2,500,000, you can prepare a projection of your Income Statement in a simple Excel file. For loans that are larger than that, you probably need to think about building a full projection model that shows each of the accounting statements and clearly demonstrates when and where you will spend the proceeds of the bank’s loan – and how it will be accretive to your business! A word of caution: full-blown projection models, when done well, are a clear sign of sophistication and professionalism to any banker. However, when they are done poorly, they will hurt much more than they help.

This is an element of the process that may require some third-party expertise if your management team doesn’t have experience building these models or lacks the bandwidth to do so (it can take 40+ hours to build a full projection model for an individual who does not build them often). There is plenty of value in bringing in an expert to augment the capabilities or capacities of your management team to execute on a capital raise.

Projections should go out at least three years, with five years being more standard. Use operating assumptions within your projection model to drive the financial outputs. Setting up your projections in this way will allow you to amend the projections with ease and make the model itself more useful to your management team in day-to-day operations. If your management team is going to go through the effort of building a fully functional projection model, ensure that it is setup to aid the business going forward.

Building Your Deck

3 **Provide a Deck Outlining Your Business and the Loan Request** – Yet another place that management teams can stumble is assuming that banks only want to look at your company's financials and projections. It's true that accounting information is extremely important during a bank's underwriting process, but non-numerical information is also extremely important. Don't put yourself in a situation where you are relying on the banker's recollection of your meeting several weeks earlier to explain your business to his credit department. Put the merits of your business in your own words and put it on paper – and make sure your banker has a copy after you meet with them. Similar to the projection model listed above, a presentation deck is an area that will be immensely beneficial when done well but can be a hindrance when done poorly. Remember, your materials will be compared with those of other companies in the market. Make sure your business prepares a package that stands out as clean and crisp.

So, what information should you include in this deck or memo?

a. Start with an overview of your business and your team. Show the name of the business, logo, and a quick one- or two-sentence description of the business. Follow it with a slide on the management team and owners of the company and their bios. With this, you will have the "what?" and "who?" of your business out of the way early.

b. Follow this up on the next slide with a more detailed overview of your business, where it operates, how it operates, and what sets it apart from the rest of the pack. Don't be afraid to go into detail and talk about any assets and competitive advantages that the business has.

c. Next you will want a clean slide showing the bank who your customers are and any concentration that you may have to them. If more than 25% of your revenue comes from a single customer, make sure you say so on this slide. Banks will view this as risky, so make sure you provide a mitigant of some form – is it under a long-term contract? Is it an account that the business has kept for multiple cycles? If your business has a diversified customer base with no significant concentration, make sure to highlight that.

Building Your Deck Continued

d. On the next slide describe your competitors. This can be tricky because many of your competitors will not be perfectly comparable to your business. Perhaps they only compete with you in one segment or offer a myriad of services that your business does not. It is important to describe your competitive advantages again on this slide. Often you will list companies as competitors that are much larger than your business with significant scale advantages. We all know that it is possible for smaller, more agile companies to out-compete some of the major players in the OFS space, but make sure you clearly state why on this slide. Don't let your banker walk away from the presentation with doubts as to whether you can hang with the big boys!

e. Now it's time to move into the numbers. Have a slide or two on your historical performance. In this section, describe why changes in your numbers have occurred – good and bad. Make sure your historical financial numbers tie nicely to the stand-alone financial statements that you are providing to the bank. Don't let the bank discover that you have two sets of historical financials! That will certainly inject doubt into their analysis. So, if you have any non-recurring events that are impacting your historical numbers, show them on this slide as adjustments to the original numbers rather than trying to augment the original numbers outright. It's also a good idea to state what you think your PP&E is worth in the current market to the extent that you believe your company's PP&E value varies dramatically from the net book value shown on your Balance Sheet.

It is imperative that the numbers provided in the deck reconcile with the numbers in your financial statements and projections.

Finishing Up The Deck

f. Almost done! Now add a slide or two on future projections. Again, the numbers on these slides should tie nicely with the standalone projections that you are going to provide to the bank. Any deviation will again introduce doubt into the situation. Talk about what drives any growth that you show. Don’t be too optimistic with these projections – provide estimates that can be confidently beaten. But don’t be overly pessimistic either. The bank is going to take your numbers and “haircut” them by 20% or so. Don’t do that on their behalf!

g. Lastly, you should have a slide with your loan request. You can simply say that you are looking for a loan, state the size, and the timing of your process. You will be in the midst of talking to a handful of banks (more on this later), so make sure that you provide a specific deadline for the term sheet – usually ten days to two weeks out. More experienced management teams can propose a full set of terms on this page (amortization, rate, fees, maturity, etc), but it’s important to have a good sense of what a “market” deal might look like. Something that is way out in left field will be a non-starter for the bank and will reduce the likelihood of receiving any kind of proposal. This is another place where a good advisor in your corner can add a great deal of value.

A well-crafted bank deck should be structured such that it can stand alone without the management team in the room.

BANK RELATIONSHIPS

The Importance of Understanding What Loan You Need and When

First and foremost, good management teams have a strong sense of what capital needs will be through the next 12-18 months. If you don't regularly sit down and perform capital budgeting, now is the time to start! This process will help you understand your business even better and will also ensure that you see any potential capital shortfalls well in advance. It is very difficult to build a good working relationship with a bank if you have an urgent need for capital. Urgency dramatically reduces your negotiating power with any counterparty. It is best to avoid that situation. Plan well in advance of your request and give yourself plenty of time to work through the process.

From the day a bank receives your request to the day you receive your loan, the bank typically needs at least 8 weeks. But plan for at least 12 weeks, especially if you are looking for a loan during the summer or fourth quarter of the year. Remember, this is the turnaround time from the moment you send them all the information needed to analyze your request, not from the moment of your first meeting. Having everything prepared in advance short-circuits the process considerably.

You will want to get to know bankers in your market well ahead of any specific request. Let them get to know your business over time and tell them that you may have a loan request for them down the road. This gives you time to get a feel for the institutions that you are speaking to, and it also gives you some control over the relationship.

Perceptions are important to a bank. You need to be ready to provide a significant amount of detail regarding your business, which is outlined in the previous section. But your loan request to the bank must also be very specific and well-reasoned. Instead of asking for whatever you can get, a better request is to say, "I am talking to several banks about securing a $1.5 million working capital line of credit and a $500 thousand tern loan to buy equipment." That is a much different starting point and anchors the conversation. To get to this point, you have to know the capital needs of your business. It is vital that you formulate a specific request before you approach a banker with the need.

How Many Banks to Talk To

When it's time to start building relationships with the bank market (and the time for most businesses is right now) you'll want to start with around five bankers at different institutions. At first, that number seems quite high, and I understand why. But consider the fact that when it comes time to borrow money, some banks are going to turn you down! Trust me, most companies just won't fit the profile that all banks require– especially companies in the oilfield service sector. So plan to get declined by at least some portion of the banks that you speak with. However, even if you do get declined, you want to make sure that the banker wants to work with YOU as a professional but can't get there because of the nature of your business and the unique circumstances at that bank.

You will want AT LEAST two banks to offer you terms for your loan request. When you have more than one offer, you are in a much stronger position to negotiate. This is why you will want to start building relationships with at least five banks (more is better and will not hurt you down the road). By knowing the banking landscape in your market before you run your loan process, you will dramatically increase your odds of a successful capital raise at attractive terms.

Having rapport with bankers at a variety of institutions reduces your reliance on any single relationship when your business has capital needs.

RUNNING A PROCESS

A Step-by-Step Guide to Maximizing Your Results

When you are about four months out from needing the loan funded, it will be time to start a formal process (what I call a "bank process" with my clients). During this time you will want to be methodical and well-organized and you will need to plan to dedicate a considerable amount of time to each step. How should this look? It can be arduous for a management team, but I've broken it down to the following elements:

1

Initial Reach Out - First, you will want to identify the bankers you will target. Ideally, these are people you have already met and who know your business on at least some level. If you don't have a relationship with a certain bank that you want to meet with, seek a warm introduction from a peer in the industry, an attorney, or a CPA. Cold reach outs for capital are challenging. Get your list of at least 5 to 7 banks and reach out to each of them. Over the phone, give the banker an overview of the opportunity, and ask if they are interested in learning more. Some banks, for one reason or another, will seem closed for business. That's okay. By the end of this step, you should have 4 or 5 banks that are interested in the next step.

2

Non-disclosures and Scheduling - Ask the bank to execute a non-disclosure agreement. Honestly, this isn't mandatory, but it adds a layer of comfort to sharing the detailed information that will be required. Banks will respect you for requesting it. Some banks will be okay looking at your agreement, while others will want to use their form. Generally, this is ok, but if you are unsure, seek legal counsel on what you should and shouldn't execute. Once you have the NDA signed, schedule a time to meet with each banker (or their team). Ideally, this is a face-to-face meeting, but it can be done remotely in a pinch. COVID has normalized virtual meetings to a great extent. You will want these bank meetings each to occur in a relatively short time frame. Remember, you are running a process here, and you want to give the banks a deadline to provide terms to you.

Presentations and Term Sheets

3

The Presentation - Now it's time to meet. 24-48 hours before your scheduled meetings, you will want to send the respective banks your historical financials, projections or financial model, and a copy of your deck. Then you will meet with the bank and walk them through your deck slide by slide, expanding on various areas that are important. Ideally, the banker (or at least an analyst) will have reviewed the materials in advance, so you can have a detailed discussion. Bring the owners of the business, your CEO, and CFO to the extent that each are different from the ownership group. If you don't have a CFO, bring your Controller if the Controller feels comfortable speaking to the numbers and projections. These are meetings that I attend with my clients to help steer the conversation and reinforce key points. At the end of this meeting make sure the bank understands your business and your plans as well as the fact that you are talking to multiple banks about this request. You should have a feel for the bank's appetite by the time you walk through the materials, but make sure you ask for their initial feedback at the end of the meeting. Most bankers will freely give it you. Give them the date upon which you need terms.

4

Collecting Term Sheets - Now the bankers you've met with will have ten days to two weeks to analyze your data and put together a term sheet for your loan request. During this time, make sure the bank knows that you and your team are available to answer any and all questions and address any concerns that they may have. This is an opportunity to show the bank how you would behave if you borrowed money from them, so put your best foot forward. Ideally, at the end of this step, you will receive two to four term sheets from the banks that remain interested. For the banks that declined to provide terms, get their feedback. Make sure they explain to you why they couldn't give you a loan. Ask for further clarification until you are satisfied.

Negotiating and Picking a Winner

5

Picking Your Horses and the First Round of Negotiation - Now it's time to pick your horses. Sit down and analyze the term sheets that you have received. Which do you like best? There are a number of factors that go into deciding which bank(s) to move forward with. Who came in with the right loan amount at the best cost (interest rate & fees)? What about the repayment schedule? Who has the most favorable covenant package? Which teams did you like best when you met with them? If there are any clear losers here, you will want to eliminate them from consideration. For the remaining, you will want to go back to each of the bankers and do some initial negotiating. Ideally, you will negotiate on the weaknesses of each set of terms with the hopes of ending up with a final term sheet from one of the banks that encompasses the best set of terms available. Here's a tip: don't tell the banks the names of the other institutions that are in the hunt. They will assume that you are talking to their fiercest competitor.

6

Selecting the Final Term Sheet - Once you have completed an initial round of negotiating, it's time to pick your favorite two term sheets/banks. Why two? Because term sheets are almost always non-binding documents. There is a non-zero chance that your preferred bank will re-trade the terms of the deal as they go through their formal underwriting process. You don't want to be caught in a situation where you have cooled off all of your other options. This would set you back considerably. Instead, tell your first choice to move ahead with their formal credit approval process. But keep the second bank warm. Don't ask them to go do a ton of work to go get formal credit approval, but tell them they may still win the deal if there is a misstep. For the other banks, sincerely thank them for their time and tell them that you are going in another direction. They will want to know which bank was chosen and why. It's generally ok to divulge this information but keep it courteous and professional. Avoid giving specifics on another bank's terms.

Loan Approval and Documentation

7 **Formal Underwriting** - It will take your lead bank up to two weeks to get formal approval. Ideally, it will be less than that, so consider two weeks to be the longest appropriate approval time. During this time, remain available to the banking team to answer any detailed questions that come up during underwriting. The bank should confirm with you after their formal approval that they have credit sign-off. Immediately ask for any changes that the approval contains versus the term sheet you negotiated. There shouldn't be many if any at all! If you are content with the bank's formal approval, the next step will be to document the loan. Depending on the size and complexity of the loan, the bank may seek to engage external counsel to draft the documents or use "form documents" that the bank has on hand for smaller loans. These come with tradeoffs – external law firms will tailor the documents to your loan but are significantly more expensive (the borrower pays for the bank's legal costs!).

On the other hand, bank form documents are generally available for a small fee, but they are almost completely set in stone. This means that you will be largely unable to negotiate the detailed language of the documents, and that language will certainly be highly favorable to the bank. For a smaller loan, this approach likely still makes sense. For a larger loan, this is less true. Don't let the bank try to use form documents on a $25 million loan!

8 **Drafting Loan Documents and Critical Paths** - It will take another week or two to prepare the drafts of your loan documents. During this time, make sure there are no other items on the critical path that require your attention. Is the bank requiring an appraisal? Make sure it gets scheduled as soon as possible. If your management team has been asked to prepare any modified or detailed information, try to go ahead and knock this out. Get your organizational documents lined up. I would strongly recommend that you also engage your own counsel to help your team through this closing. Don't put yourself in a position where you are negotiating legal language by yourself against the bank's attorney. A good attorney will help keep you out of trouble.

Driving to Closing

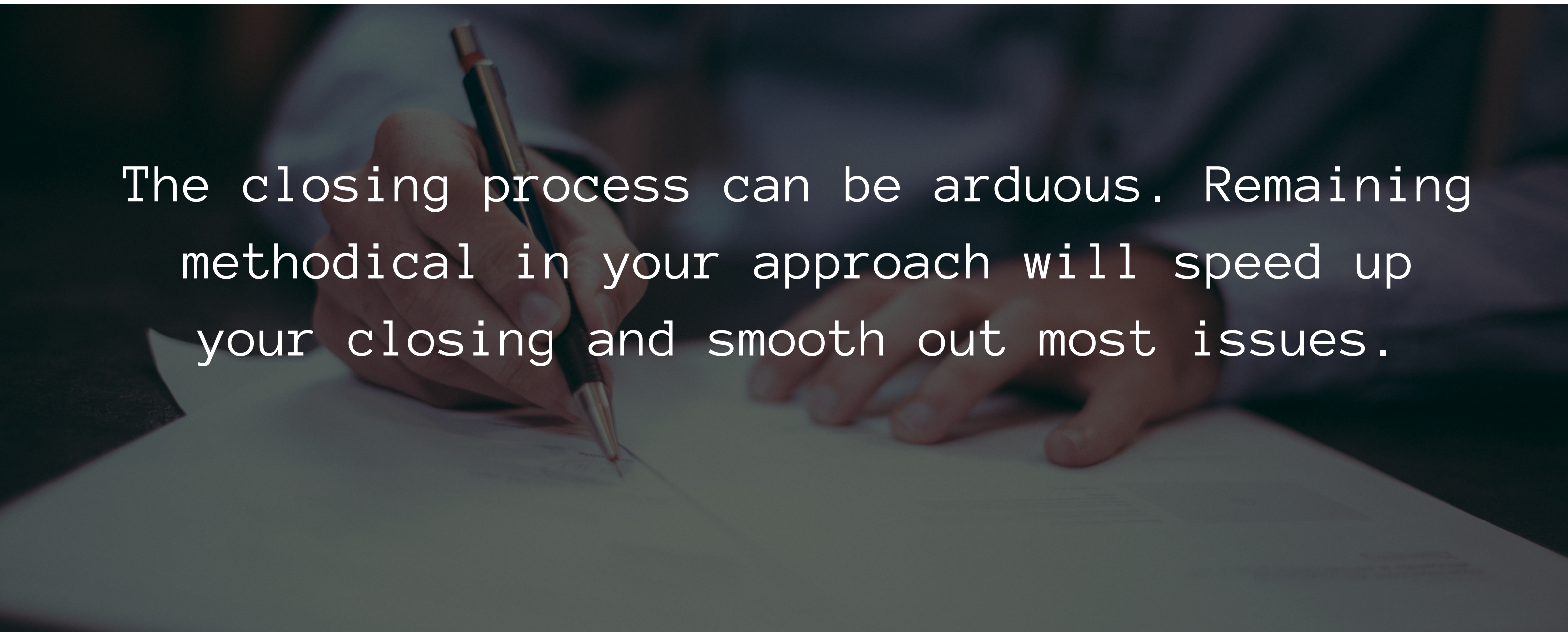
9

Document Review and Closing - When you receive the draft documents, review them for accuracy versus your term sheet and make notes of any language you would like to see changed. This will be a bit time-consuming and mind-numbing, but make sure you understand what is contained in the documents you will have to sign. Have your attorney do the same. Then compare notes, compile comments, and deliver them to the bank. At this point, if the comments are not overly significant, go ahead and pick a target closing date that can be reasonably achieved. Also, ask the bank's counsel (or the banker) for a closing checklist. Save yourself some headache and be aggressive in checking off items on the closing checklist.

I have seen many closings delayed because management teams thought a required item could be put off until the day before closing. Delayed closings just lead to higher legal fees.

You will likely have a call with the bank and/or their counsel to finalize the negotiated points in the documents. Afterwards the executable version will be circulated and you will receive execution instructions. Once you've signed the documents and delivered them to the bank, the bank or its counsel will confirm that the loan is closed.

Funding should be available shortly thereafter.



NEXT STEPS

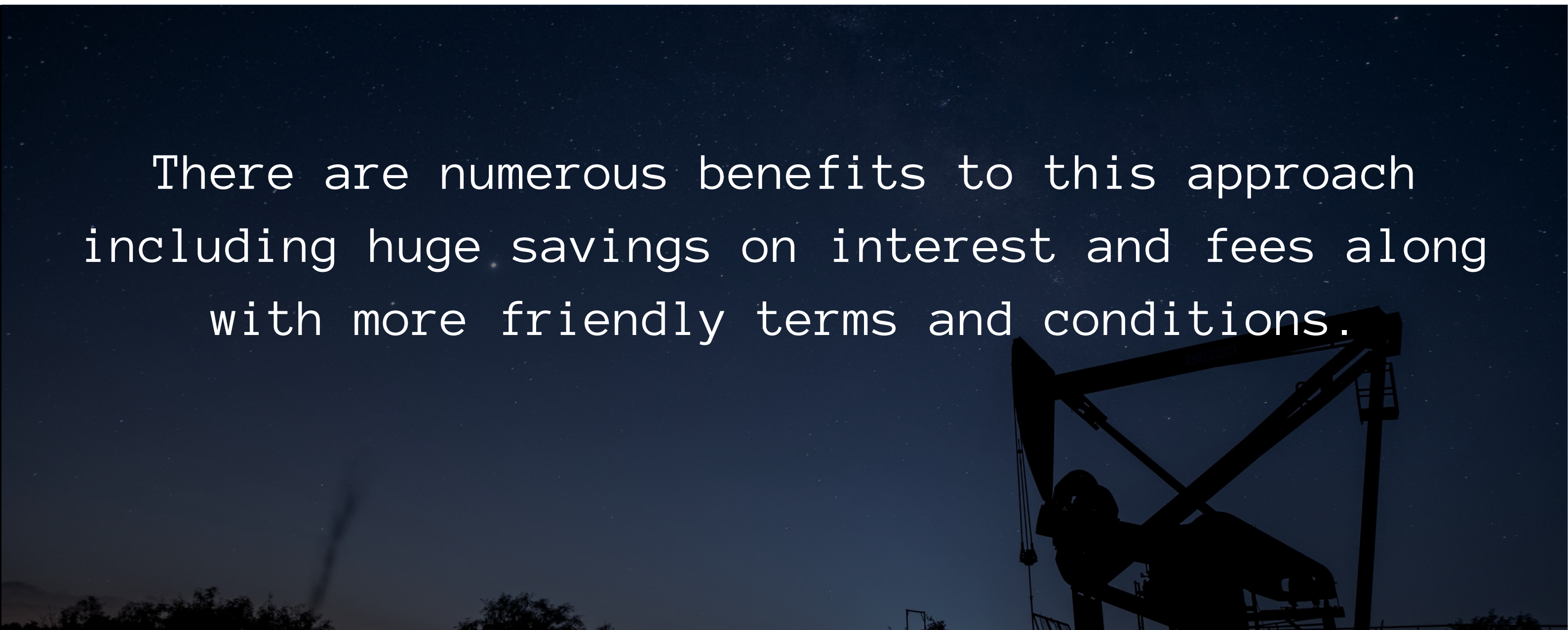
The Impact

Easy, right? The truth is there are many parts of this process that can be daunting, especially for management teams that have already been spread thin like we have seen in the oil patch over the last few years. However, when done well, this process will save you in a few key areas:

1. It will save you considerable money over the life of the loan. By running a competitive process, you will ensure that you are getting the best rate and fee structure possible in the market. This can amount to hundreds of thousands of dollars over the life of the loan - and for larger loans, much, much more.

2. Your business will get access to more capital at more favorable terms. Again, the key is a well-run process with best-in-class supporting materials. Banks will view your business through a different lens and will be more willing to stretch on the terms and loan amount for businesses that they view as more sophisticated.

Further, by being methodical, you are far more likely to receive interest from banks that are "on the fence" when it comes to OFS companies. Make sure that selective banks are selecting your company over your competitors!



The Impact

3

By negotiating favorable terms, you avoid headaches associated with technical defaults like financial and negative covenants. These technical defaults, while not catastrophic on their own, require significant management attention and likely a number of hours from attorneys. These costs add up, even before accounting for the opportunity costs associated with management's distractions and the fatigue that they cause with your banker.

Harsh Reality:
The reality is that there will be times where the bank market is closed to OFS businesses. Banks will be happy to handle your deposit accounts and provide your business with treasury services, but their wallets will be closed to loan requests. These situations can be tricky to navigate for the oil patch, and businesses will often need to seek non-bank lenders to fund capital needs.

While the details of this topic are for another time, the materials that you would have prepared for a bank's consideration will suit your business well in discussions with non-bank lenders. Catalina Advisors has extensive relationships with these types of capital providers and can facilitate introductions for clients in tough market conditions.

Non-bank financing is typically more expensive than loans directly from a bank. But it does come with other benefits. Because non-bank lenders are not regulated in the same way as traditional banks, they can typically still find ways to provide capital when a business shows recent losses in its financial performance. Additionally, this type of capital is often more flexible than a bank loan – fewer covenants, fewer reporting requirements, etc.

While not the cheapest option, non-bank lenders can certainly serve as a solution to bridge the gap to a true bank loan.

The following page provides a quick overview of how Catalina Advisors interfaces with its clients.

How Clients Benefit From Working with Catalina Advisors

Domain Expertise: Catalina tackles a myriad of corporate finance problems

Management Bandwidth: Catalina drives the process, so you don't have to.

Preparation: Best-in-class decks, models, and other materials.

Network: Access to Catalina's relationships with lenders and other capital providers.

Negotiation: An experienced banker in your corner through the entire process.

FINAL THOUGHTS

Catalina Can Help

For some businesses, running a full loan process can be overly burdensome. This will lead some companies to take whatever terms their existing bank provides or even to forgo growth opportunities because of lack of access to capital. These are the reasons behind my decision to found Catalina Advisors. I have a deep background in OFS banking and understand the intricacies of running a formal bank process -- from material preparation to managing the loan closing. Further, with extensive relationships throughout the industry, businesses can lever Catalina's network of banks to cast a wide net when they seek bank financing. Said another way, Catalina drives the process, so you don't have to.

I always take a consultative approach with my clients and will never take on an engagement in a situation where I can't help the business. If you feel like your management team could benefit from having an experienced advisor in their corner, reach out to me any time by email at pbannon@catalinaadvisors.com. We can schedule a no-pressure conversation to go over your business needs at absolutely no cost to you.