

Meridian Capital Deploys TIGRcub™ Securities for Oil & Gas Firms

The last issue of *Micro-cap Review* magazine reported the emergence of TIGRcub™ securities into the micro-cap finance marketplace. The TIGRcub™ is an investment vehicle used by companies with revenues between \$5 million and \$250 million to raise capital. By issuing TIGRcub™ securities, companies can receive a lump sum payment in exchange for the distribution of a percentage of monthly GAAP gross revenues to investors.

In three short months, the TIGRcub™ has taken hold in the heavily populated oil and gas sector, an industry with many small to medium sized companies that have a near constant need for capital to continue exploration and asset development.

The Meridian Capital office in Miami, Florida is leading the deployment of TIGRcub™ investments into oil and gas companies that have historical production and current production cash flow that they are willing to securitize. In the last month, nearly \$500 million worth of transactions have been structured. Transaction sizes vary and are determined by the amount of historical production revenue from specific wells or source assets.

Stephen H. Watkins, chief executive officer of Entrex led the creation of the TIGRcub™ security, and explains that Meridian Capital has a solid niche in helping oil and gas companies find capital. "TIGRcub™ funding serves the capital needs of firms above that of traditional bank lending but still below the cost and dilutive effects of equity deals."

Meridian Capital offers owners of producing wells the ability to finance over a longer period of time, typically five years, without giving up equity. Aside from the ability to retain full company ownership, issuers appreciate that the fixed return nature of the transaction doesn't provide any upside for Meridian or investors from future increases in commodity pricing.

Meridian's experience, methods, and resources are bringing swift efficiency to these financings. Transactions are being closed in as few as 30 days, and are averaging about 45 days for companies that are prepared for financial due diligence.

This is a clear "win-win" for both investors and the issuing company. Investors receive a monthly distribution check, and the oil and gas companies receive a lump sum capital payment in exchange for a portion of the cash flow from producing wells.

Watkins adds, "Ultimately it's a very simple transaction model that actually provides the company a chance to see a decreased cost of capital if there is an increase in oil or gas pricing. The investor sees a fixed return, while the oil and gas owners benefit from equity ownership and commodity price increases."



Historically, Meridian Capital's transactions provide capital payments that use about 60 percent of the current production cash flow (paying back investor's principal and returns) over a five-year TIGRcub™ contract.

From the investor's perspective, the emergence of these transactions is a bright ray of sunshine. The investor's portfolio now includes a standardized and institutionalized TIGRcub™ instrument that is ultimately part of an anticipated secondary trading market where the market price is based on the net present value of the remaining cash flow—similar to existing bond market offerings.

Meridian Capital relies on due diligence teams around the world to facilitate transactions. While the firm can close transactions within 30 days of signing a term sheet, Watkins points out that timeframes are based on the slowest moving part of the process, which is often scheduling various professionals and receiving the necessary legal and compliance documents to complete the due diligence.

Watkins summarizes the opportunity by sharing that "various firms across the nation have found that by using Meridian's capital for financing transactions, they can either liquefy or buy out investors, while others have used it to structure acquisitions around the anticipated cash flow of the producing wells. It is a much in demand solution for companies with operating and expansion capital needs since banks have restricted lending."

The opportunity is clear. Meridian Capital is poised to help micro-cap oil and gas companies raise billions of dollars. TIGRcubs represent a new form of currency for oil and gas producers and a way for owners to raise capital. It's a welcome change for the industry and a solution to the current liquidity problems that many owners are experiencing.

For more information, contact Stephen H. Watkins at swatkins@entrex.net.