

## CORPORATE BACKGROUND:

**C**OSCO Capital Management LLC for over a decade has functioned as the preeminent agent for value creation within the private energy sector, fulfilling its mission to “develop sound, sustainable, and profitable relationships between the financial and operational segments of the energy business.”

For energy companies, COSCO specializes in helping managements recognize and focus on their particular competitive advantages. Between March, 2005 and the beginning of 2000, alone, COSCO has advised over fifty such energy clients, defining market niches, assisting with investment strategies and execution, effecting mergers and acquisitions or sales, arranging secondary placements of their securities, and selectively providing investor relations services.

Through its affiliate, Private Energy Securities, Inc (member NASD, SIPC), COSCO has also proven its ability to arrange significant, tailored private capital for energy companies throughout



*COSCO managing directors Cameron O. Smith, left, Lane W. McKay, middle, and William E. Weidner, right.*

North America and abroad. As distinct from other placement agents, however, COSCO's selection process is governed by its first principle: to invest in every equity mandate it sponsors. Again, over the past five plus years, COSCO has assisted energy companies to access approximately \$540MM of private capital (see recent record below).

Finally, following its mandate, since its inception in January 1992, COSCO has regularly represented professional investors with existing or pending energy investments. Since just the beginning of 2000, as an example, it has assisted

buy-side clients to purchase or sell approximately \$360MM of portfolio companies.

Another distinguishing characteristic of COSCO is that the majority of its personnel and colleagues first enjoyed careers within the energy business before joining COSCO. Its founder, in fact, built, ran, and sold private and public E&P companies in the U.S. and Canada for over 15 years. Three of COSCO's senior personnel have advanced degrees in geology. COSCO's only non-industry managing director presided over 30+ M&A transactions in a 3 year period, on his way to building, taking public, and selling what is now the second largest property and casualty insurance company in Canada.

As a consequence of this background and the insight of its Colleagues, COSCO has extraordinary inside knowledge of the energy business and capacity world-wide to source investment opportunities, conduct primary due diligence on individuals, companies, and specific projects, and initiate and manage M&A transactions, making it certainly one of, if not *the* leading energy investment specialist based in North America.

## 2004-2005Q1: \$175 Million in Energy Private Placements

Financings	Size	Financing Source/Security	Purpose
<b>Potoco, LLC</b> (Denver CO) April 2005	\$20,000,000	Alder Wood Partners, L.P. Line of Equity (LLC Units)	CBM Exploration and Development (Arkoma)
<b>Bunker Energy Inc.</b> (Calgary AB) March 2005	C\$24,000,000	Natural Gas Partners VII, L.P. Convertible Preferred Stock	Acquisition & Development (Alberta)
<b>Action Energy Inc.</b> (Calgary AB) February 2005	C\$4,000,000	Toscana Capital Corporation Convertible Subordinated Debentures	Development Drilling & Facilities (Alberta/Saskatchewan)
<b>SDG Resources</b> (Montrose CO) October 2004	\$35,000,000	Goldman Sachs E&P Capital Secured Notes	Development of Proved Reserves in Permian Basin
<b>Ausam Energy Corporation</b> (Calgary AB) August-November 2004	C\$12,900,000	Lead Investor: Affiliates of Wellington Management Co. LLC Common Stock and Warrants	Underbalanced Drilling in Australia
<b>JOG Capital</b> (Calgary AB) September 2004	C\$37,612,660	Undisclosed Partnership Units in JOG Limited Partnership No. 2	Private Corporate Equity Fund for Canadian Energy
<b>Mid-Con Energy Corporation</b> (Tulsa OK) July 2004	\$33,900,000	Lead Investor: An Affiliate of Yorktown Partners LLC Common and Preferred Stock	Waterflood Development in Mid-Continent
<b>Avalon Exploration, Inc.</b> (Tulsa OK) June 2004	\$10,000,000	Energy Trust Partners L.P. Common Stock	Development and Exploration in OK
<b>Stratagem Energy Corp</b> (Calgary AB) May 2004	C\$15,000,000 C\$742,000 C\$274,083	Quantum Energy Partners Follow-On Placement Secondary Placement	Drilling in Central Alberta  Initial Round Shareholder Liquidity
<b>Karl Oil &amp; Gas</b> (Calgary AB) February 2004	C\$1,300,000	Quest Capital Corp Senior Secured Bridge Financing	Short-Term Development Financing
<b>Total Financings (10):</b>	<b>\$175MM (US)</b>	<b>12 Capital Sources</b>	<b>8 Equity; 1 Mezz; 2 Bridge; 1 Secondary</b>

## COSCO SERVICES:

**Capital Formation.** COSCO specializes in assisting energy companies to raise private capital, particularly corporate equity and project or mezzanine debt. Often this capital is sourced from those same professional investors to which COSCO provides advisory services. COSCO also invests in all equity financings it arranges. This establishes immediate credibility for COSCO's clients, but also imposes considerable responsibility and discipline on COSCO's selection of the entities, and particularly the management teams, it represents. COSCO ensures that each client has a realistic appreciation of its own value in the private marketplace and understands the full range of financing structures acceptable to the Private Capital community. COSCO assists clients to prepare necessary descriptive documents and marketing materials, arrange meetings with financing candidates likely to appreciate them and their business plans, negotiate term sheets and agreements, and close financings on terms fair to all stakeholders.

**Advisory.** COSCO provides financial, investment/divestiture, and investor relations services to both oil and gas companies and professional investors, alike. For investors, advice includes consultation on investment strategies and execution, specific due diligence, and intelligence regarding peer competition. Clients have included Warburg Pincus, Morgan Stanley Private Capital, Lime Rock Partners, and Emerging Markets Partnership, among others. For private and public energy companies, COSCO provides sound financial and business advice designed to focus managements on their own competitive advantages, business opportunities, and financing potential. For the latter, COSCO also provides a full range of investor relations services. For family-owned companies, it is experienced in and provides generational succession planning. Advisory clients within the Industry have



Standing, from left, are Sam Hammons, Lane McKay, Cameron Smith, Bill Weidner, and Scott Kessey. Seated, from left, are Jack Crissup, Reva White, Warren Shimmerlik, Sharon Younger, and Max Dillard.

included Ausam Energy, Shell Canada, Arena Energy, Crutcher Tufts Resources, Novus Petroleum, and Momentum Energy, among many others.

**Mergers & Acquisitions/Divestitures, Secondary Placements.** Because its personnel and Colleagues are located in almost all of the principal energy centers of North America, as well as certain key international centers, COSCO is well positioned to match industry clients with acquisition, divestiture, or merger candidates. COSCO's experience in structuring deals and in raising capital is often crucial in completing successful transactions. Also, because COSCO has close working relationships with almost all of the Private Capital Funds and many of the public money managers and hedge funds in the U.S., Canada, and abroad, it is particularly adept in arranging secondary placements of public and private energy securities, as well as entire energy portfolios.

**Principal Investing.** Since the mid 1990's, COSCO has participated as an investor in virtually all of the equity financings it has arranged. On its five investments monetized to date, it has realized an aggregate IRR of 35% and an ROI of 2.5:1. In addition, it currently holds minority interests

in an additional 16 private and corporate equity and direct property funds it has helped organize and capitalize.

**Education.** From the outset, COSCO has worked diligently to inform the energy industry and investors, alike, in the U.S. and Canada about the mores and virtues of Private Capital. COSCO personnel regularly contribute articles on private capital for *Oil and Gas Investor* and are interviewed by it and other industry and financial publications, most recently including *Business Week*, *Worth*, and *Private Equity International*. COSCO in 1997 founded the Private Capital for Energy Forum™, which it has hosted over fifteen times in New York, Calgary, and Houston, with over fifty Private Capital Sources and another forty or so Beneficiaries having made presentations on the demands and benefits of Private Capital.

### COSCO Colleagues:

Sam Hammons . . . . . Edmond OK  
Jack R. Crissup . . . . . Tulsa OK  
King/Strategic Finance, Ltd. . . . Dallas TX  
Dillard Anderson Group . . . . Houston TX  
Burdette A. Ogle . . . . . Santa Barbara CA  
Flint Ogle . . . . . Grand Junction CO  
Origin Securities . . . . . Sydney AU  
Hythe Securities Ltd. . . . . London UK

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