



COSCO CAPITAL MANAGEMENT LLC

and Capital, LLC (in association with FCG Advisors, LLC (member NASD, SIPC), COSCO has begun placing equities in public energy companies, as well, focusing on energy experienced hedge and mutual funds (see below for COSCO's most recently completed engagements).



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

As testimony to its unique position among financial intermediaries, since its inception in January 1992, COSCO has also assisted numerous professional energy investors, themselves, particularly in the East, to develop new investment strategies and purchase or sell approximately \$500MM of portfolio companies or assets.

typically provides major assistance in refining its clients' investment strategies and improving their presentations. It can also help effect mergers, acquisitions, or sales, and it has arranged several secondary placements for individual investors, as well as entire portfolios for funds, themselves.

Reflecting its confidence in its ability to select and nurture outstanding investments, COSCO now has over thirty current and realized portfolio investments and as a matter of principle invests in every private equity mandate it sponsors. Furthermore, COSCO personnel often continue post closing as advisors or directors to assist portfolio companies to execute their investment strategies and manage growth, thus helping to ensure the success of its investments.

CORPORATE SUMMARY:

COSCO Capital Management LLC over the past sixteen years has become a leading advisor to professional investors in the energy sector and the foremost agent for private placements for small and mid-cap private and public energy companies in the US and Canada. Through its affiliate, Private Energy Securities, Inc. (member NASD, SIPC), COSCO has arranged private placements of over \$1 billion since 2000, alone, primarily comprised of private equity and mezzanine debt and placed with energy focused closed-end funds. Over the past year, moreover, through a new affiliate, Strategic Energy Research

COSCO is far more than a financial advisor and placement agent, however. Because its personnel almost all came first from the oil and gas industry, before establishing careers in proprietary investing and finance, they understand intimately, are accepted in, and can bridge both worlds. As a consequence of this pedigree and having now advised over 150 industry clients and seen, literally, thousands of business plans and proposals, COSCO often can understand even better than managements, themselves, what constitutes their particular strengths and competitive advantages. COSCO

\$450+ Million in Energy Mandates Since January, 2006, Alone.

<p>January 2008</p> <p>LAKE RONEL ENERGY PARTNERS, LLC</p> <p>\$40,500,000 Common Equity</p> <p>For Exploration and Development</p>	<p>December 2007</p> <p>ACTION ENERGY INC. (Calgary AB)</p> <p>C\$17,500,000 Common Stock</p> <p>Strategic Energy Research & Capital LLC</p>	<p>July 2007</p> <p>Red Arrow ENERGY (Houston TX)</p> <p>\$85,600,000 Line of Equity</p> <p>EnCap Investments L.P. and COSCO Investments LP</p>	<p>July 2007</p> <p>AUSAM ENERGY CORPORATION (Houston TX)</p> <p>\$25,000,000 Units of Debentures and Warrants</p> <p>The Huff Energy Fund, L.P.</p>	<p>June 2007</p> <p>IGI INVESTMENT CO. (Kuwait City, Kuwait)</p> <p>\$30,000,000 Units of Convertible Notes and Warrants</p> <p>Circle Oil Plc</p>
<p>May 2007</p> <p>An Affiliate of JONES (Lafayette LA)</p> <p>\$100,000,000 Senior Secured Notes</p> <p>Guggenheim</p>	<p>December 2006</p> <p>An Affiliate of Sanchez Oil & Gas Corporation (Houston TX)</p> <p>\$50,000,000 Secured Notes</p> <p>TCW</p>	<p>June 2006</p> <p>ORBIT ENERGY, INC. (Lafayette LA)</p> <p>\$25,000,000 Common Equity</p> <p>Undisclosed</p>	<p>April 2006</p> <p>Undisclosed E&P Company (Calgary AB)</p> <p>C\$26,375,068 Line of Equity</p> <p>Jog Capital Inc, BlackRock, Inc., et al</p>	<p>February 2006</p> <p>ACTION ENERGY INC. (Calgary AB)</p> <p>C\$35,278,873 Common Shares</p> <p>Quantum Energy Partners, et al</p>

COSCO PERSONNEL:

Most of COSCO's personnel first enjoyed careers within the energy business before joining COSCO. Prior to founding COSCO in 1992, Cameron Smith, COSCO's Senior Managing Director, for over 15 years worked in the industry as a geologist and then ran various E&P companies in the U.S. and Canada. For the next four years as COSCO, Mr. Smith worked with Odyssey Partners LP, expanding his experience as an operator through the disciplines of proprietary investing. Bill Weidner, another Managing Director, also worked as a geologist for four years, then for a commercial bank for a year, finally as a proprietary investor with RIMCO, a mezzanine lender, for eight years, before joining COSCO. Lane McKay, COSCO's third managing director and CEO of COSCO Canada, worked in risk management for eight years, presiding over 30+ M&A transactions in a three-year period, on his way to building, taking public, and selling what is now the third largest property and casualty brokerage company in Canada.

In addition to its own members, COSCO has built a strong network of Colleagues, who are under contract to assist it to source and investigate new investment opportunities. COSCO's current Colleagues are based in New York, Connecticut, and New Jersey; Houston, Dallas, Oklahoma City, Tulsa, Denver, and Calgary; and, then, London, Sydney, and Caracas.

COSCO SERVICES:

Capital Formation. COSCO's strength is in discerning energy companies and managements worthy of equity financing and projects suitable for mezzanine debt. This reflects the technical and industry training of its personnel. The COSCO Value Appreciation Process™ begins with a frank assessment of a client's management and the company's competitive



From left to right: COSCO's Scott Kessey, Lane McKay, Bill Weidner, Cameron Smith, and SERC's Mark Kellstrom.

position and value in the marketplace. If a financing is required, appears feasible, and COSCO, itself wants to invest, it then assists clients to prepare necessary descriptive documents and marketing materials, arrange meetings with likely financing candidates, negotiate agreements, and close on terms fair to all stakeholders.

Advisory. COSCO provides financial, investment/divestiture, and general business advice to both industry and investors, alike. For investors, services include consultation on investment strategies and execution, specific due diligence, and peer comparison. For private and public energy companies, COSCO provides sound business and financial advice designed to focus managements on their own competitive advantages, business opportunities, and financing potential. COSCO's advisory role often extends well into the execution stage, post financing.

Mergers & Acquisitions / Divestitures, Secondary Placements. Because its personnel and Colleagues are located in almost all of the principal energy centers around the world, COSCO is well positioned to match industry clients with acquisition, divestiture, or merger candidates. Also, because COSCO has close working relationships with a vast majority of the professional energy investors in the U.S. and Canada, it is particularly adept

in arranging secondary placements of public and private energy securities, as well as entire energy portfolios.

Principal Investing. COSCO currently participates in up to a ten percent "add-on" to each private placement equity financing it leads. It now has an active portfolio of twenty such investments, having to date monetized eleven, on which its aggregate realized return is greater than 7:1, with better than a 70% IRR (if only the past were a guaranty of future returns!).

Education. From the outset, COSCO has worked diligently to assist the energy industry to understand Private Capital and its crucial role in accelerating value creation for worthy entrepreneurs. In 1997, it founded the COSCO Private Capital for Energy Forum™, which over the past decade it hosted seventeen times in New York, Calgary, and Houston. In December 2007, however, COSCO agreed to sell the Houston-based COSCO Forum to *Oil and Gas Investor*. In early 2005, COSCO began publishing the *COSCO Private Capital Energy Index Report*™, which twice each year tracks the investing activities of the COSCO Private Energy Index™, a representative cross-section of the Private Capital community focused on Energy. This will now become COSCO's principal vehicle for communication about Private Capital.



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