

COSCO Forecasts Capital Commitments To Continue To Grow

Investment banking firm sees no slowdown in activity levels for private capital in 2008.

By Jo Ann Davy, Editor, Custom Publishing, Hart Energy Publishing

Private capital had a record year in 2007 in terms of number of investments and aggregate amount of capital invested, says Cameron O. Smith, Senior Managing Director of COSCO Capital Management LLC (COSCO), an energy-focused investment bank, headquartered in New York.

Oil and Gas Investor (Investor) spoke with Smith prior to NAPE, held in Houston Feb. 7-8, 2008, to get his perspective on the marketplace.

Investor What kind of year was 2007 for private capital investing in the energy industry?

Smith Twice a year, COSCO surveys about 25 of the major core providers of private capital to the energy



Cameron O. Smith
COSCO Capital
Management LLC

business (the COSCO Index) regarding their current investing preferences and activities over the previous period. We then publish the results in *Oil and Gas Investor* and our own Private Energy Index Report. The survey for year-end 2007 has just gone out, so we don't yet have results for the entire year. However, during the first 6 months of 2007, the COSCO Index both invested and monetized at a

record pace. The only category not significantly larger in first-half 2007 was the amount of new capital raised.

Investor And how was 2007 for COSCO?

Smith COSCO had another great year. Counting the Lake Ronel financing that closed during the first week of January, in 2007 we raised over \$US250 million for energy clients in the United States and Canada. We also assisted financial investors to make just under \$50 million of new investments, as it happens, in two E&P companies primarily active in North Africa. Our investment in Strategic Energy Research and Capital LLC (SERC) also paid off; in December, as the sole U.S. broker in a syndicate otherwise of Canadian peers,

it raised over 95% of the \$17.5 million financing for a public Canadian junior. Furthermore, as indicated above, we have begun to significantly expand our overseas exposure, engaging a new colleague, Emilie Carlsson, expressly to enliven our network with our other colleagues in Sydney, Caracas and London.

Investor What is the outlook for 2008 and why?

Smith We see no reason why the activity level for private capital generally, or COSCO specifically, will slow down in 2008. While acquisitions will be challenging, current high product prices bring into play an extraordinary proportion of the oil patch. With service costs coming down and, more importantly, competent services and personnel again becoming available, serious commitments are once more being made to drilling and development of infrastructure, all of which is good news for private capital.

For COSCO, we see continued or expanded activity in our core discipline of private placements of private debt and equity, but we also see SERC leveraging significantly off its success this year with private investments in public equity securities. Also, we are in the process of completing a significant secondary placement of a fund's entire energy portfolio, for which we see a thriving market in 2008. We plan to expand our capacity to invest in the private equity financings we lead, and we are beset with financial entities seeking to invest directly in working interests in joint venture with competent operators. We are actively considering how best to accommodate their desire for guidance.

Investor What do you envision will be COSCO's greatest challenge in 2008, and how will you address that challenge?

Smith As indicated in my last answer, we do not anticipate being challenged by lack of opportunity. COSCO is relatively small. We have to be very selective with respect to those assignments we take on. It helps that most of us have technical and industry backgrounds and that our first decision with respect to a potential engagement is always whether or not we would invest in the company ourselves. Our greatest challenge, therefore, is simply not to over-commit. This at least partly explains our decision this year to sell our Private Capital for Energy Forum to Oil and Gas Investor. We hope to expand personnel in Houston, Dallas and Denver. With all the initiatives we launched in 2007, we know we'll be flat out in 2008, which is exactly how we like it. ●

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Private Placements and Transaction Advice:

\$1.7 billion since January 2000, alone!

- Equity: \$825 million
- Debt: \$400 million
- A&D Advisory: \$500 million

Advisory services through COSCO Capital Management LLC; Placements through affiliated broker-dealers, Private Energy Securities, Inc. (Member NASD, SIPC) and Strategic Energy and Research Capital, LLC, an affiliate of FCG Advisors, LLC (Member NASD, SIPC); and investments through COSCO Investments LP.

January 2008

LAKE RONEL ENERGY PARTNERS, LLC

A Private Placement of
\$40,500,000
Common Equity

For
Exploration and Development

December 2007

ACTION ENERGY INC.

A Private Placement of
C\$17,500,000
Common Stock

With
Strategic Energy Research
& Capital LLC
An Affiliate of COSCO and FCG

July 2007



A Private Placement of
\$85,600,000
Line of Equity



ENCAP INVESTMENTS L.P.
and COSCO Investments LP

July 2007



A Private Placement of
\$25,000,000
Units of
Debentures and Warrants
To
The Huff Energy Fund, L.P.

June 2007



With Respect to Its Investment of
\$30,000,000
Units of Convertible
Notes and Warrants



Circle Oil Plc
(AIM:COPI)

May 2007

An Affiliate of



A Private Placement of
\$100,000,000
Senior Secured Notes

To

GUGGENHEIM

December 2006



A Private Placement of
\$50,000,000
Secured Notes

To

TCW

June 2006



A Private Placement of
\$25,000,000
Common Equity

From

Undisclosed

Please visit us at Booth 2241

For further detail on COSCO, its Services and Track Record, please visit www.coscocap.com

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