

The Rodman Energy Group Foresees Opportunity in 2009

Private equity is in place to seize the day as financial strategies adapt.

By Leslie Haines, Editor-in-chief, *Oil and Gas Investor*

For financial institutions with expertise and flexibility, today is a good time to be in the energy-finance arena.

According to Cameron Smith, senior managing director and head of The Rodman Energy Group, based in New York, "We have never been more busy than we are right now, assisting our private energy clients to access capital. Half-way through January, we had already closed one significant financing, received term sheets on two others, and were engaged by several large industry companies, as well as capital sources, in the U.S., Canada, and Australia, to assist them to arrange financing or to facilitate and focus their investment strategies."

Undaunted by currently low and volatile commodity prices and the overall economic slowdown, Smith says, "The most challenging aspect of our business, right now, and perhaps for the next year or two, may well be whom to choose to assist in attracting capital, as the opportunities are so broad and the cost of inertia so large.

"It's a great time to be in our business. Whatever you do, don't squander this crisis!"

Certainly, it's private equity's time to shine in 2009, as the public markets are totally closed, cash flows are down drastically, and even commercial bank debt remains a challenge for many energy companies.

Rodman Energy is the recently formed arm of Rodman & Renshaw LLC, the full-service, independent New York investment banking firm, whose parent, Rodman and Renshaw Capital Group Inc., went public in fall 2007. The IPO enabled Rodman to expand significantly by acquiring entire companies, such as its June 2008 purchase of COSCO Capital Management LLC, the well-known financial intermediary firm that Smith founded in 1992.

Rodman retained all COSCO's former employees and immediately formed Rodman Energy, consolidating their respective offices in New York, and, in fact, adding personnel to COSCO's former bases in Houston and Calgary.

Smith and this seasoned team are convinced that today, the private equity community has an "extraordinary opportunity to invest unusually well," using the record capital it raised in 2007 and early 2008.

For instance, for the first time in many years, E&P and service companies are short on liquidity and long on capital opportunity. "Companies, particularly the fast-trackers of the last public cycle, have to triage capital to what they deem to be their most attractive plays. This leaves vast spreads of acreage, some even with production and reserves, available for purchase or farm-in, which is perfect for private capital," Smith points out.

"Prices for proved reserves are down and falling lower, and companies which last year would never have considered raising equity or debt are now in the market, seeking to gain momentum, while their peers drift aimlessly, at the mercy of their creditors."

Smith acknowledges the rumors that some institutions that made large commitments to energy funds are reneging, or asking them to "go slow" on capital calls. But in each case where he has asked a fund's manager for specifics, "I've been told not to worry—that they have sufficient spread and strength within their portfolios of investors to overcome whatever liquidity issues might arise."

Additionally, the market has responded to these rumors by attracting a number of secondary funds that are raising, or have raised, capital, to take advantage of any duress among existing fund owners.

"Our challenge," Smith says, "is to assist the very best energy-focused funds to find the very best companies—and more accurately their managements—who recognize that periods of commodity distress have always provided the greatest opportunity for quantum-changing initiatives. Short-term



Cameron Smith,
The Rodman Energy Group

dilution is always trumped by long-term value creation.

"We are trying to remain patient, to ensure our selections for clients are both best in class, as well as consistent with our principles and animating mandate: 'To promote sound, sustainable and profitable relationships between the financial and operational segments of the energy business.'"

On the public side, Rodman is using these market doldrums to build up its team of public analysts, bankers and dedicated sales force. The firm continues to search for the best individual talent available,

many having been cast adrift by the implosion of the investment banking world, Smith says.

"For five of the past six years, and we think again in 2008, Rodman has been the leader in the number of private placements of highly liquid public equities ("PIPES").

Going forward, Smith says the firm wants its strengths to be as strong in the public domain for energy as it has been for almost two decades in the private arena.

Services include arranging placements of illiquid public stock, warrants, debentures, convertible notes, or secured notes.

As part of this initiative, in October 2008, Rodman & Renshaw hired Jeff Hayden, CFA, as senior analyst, and Chad Mabry, as associate analyst, basing both in the firm's Houston office. They have launched energy research and now cover nine E&P equities. In summary, they view the dramatic correction in the group as being overdone, given industry fundamentals, creating an attractive entry point for long-term investors. ●

Private Placements and Transaction Advice:

\$1.825 billion since January 2000, alone!

- Equity: \$875 million
- Debt: \$450 million
- A&D Advisory: \$500 million

In June 2008, Rodman & Renshaw, LLC (member FINRA/SIPC) acquired COSCO Capital Management LLC and formed **The Rodman Energy Group**, retaining all of COSCO's former personnel and offices in Houston and Calgary.

An Affiliate of
Dewbre Petroleum Corporation
Dewbre Petroleum
CORPORATION
and
HARBOR HILL INTERESTS, LP
\$35,500,000
Senior Secured Notes
Rodman & Renshaw, LLC
acted as Placement Agent
for Dewbre Petroleum Corporation
October 2008

Zodiac Exploration Corporation
zodiac
exploration corp
C\$18,110,000
Common Equity
Rodman & Renshaw, LLC
acted as Placement Agent
for Zodiac Exploration Corporation
September 2008

Mt. Dora Energy Corporation
MT. DORA
ENERGY
\$35,500,000
Line of Equity
COSCO Capital Management LLC
acted as Placement Agent
for Mt Dora Energy Corporation
May 2008

Lake Ronel Energy Partners, LLC
LAKE RONEL
ENERGY PARTNERS, LLC
\$40,500,000
Common Equity
COSCO Capital Management LLC
acted as Placement Agent
for Lake Ronel Energy Partners, LLC
January 2008

Action Energy Inc.
ACTION ENERGY
INC.
C\$17,500,000
Common Stock
COSCO Capital Management LLC
acted as Placement Agent
for Action Energy Inc.
December 2007

Red Arrow Energy, LLC
Red Arrow
ENERGY
\$85,600,000
Line of Equity
COSCO Capital Management LLC
acted as Placement Agent
for Red Arrow Energy, LLC
July 2007

Ausam Energy Corporation
AUSAM
ENERGY CORPORATION
\$25,000,000
Line of Debentures and Warrants
To The Huff Energy Fund, L.P.
COSCO Capital Management LLC
acted as Placement Agent
for Ausam Energy Corporation
July 2007

KGL Investment Company
KGL
INVESTMENT CO.
\$30,000,000
Units of Convertible Notes and Warrants
Circle Oil Pte
COSCO Capital Management LLC
acted as Exclusive Advisor
for KGL Investment Company
June 2007

The Rodman
Energy Group

For further detail on The Rodman Energy Group, its Services and Track Record, please visit www.rodman.com

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