



RENAISSANCE PARTNERS, LLC

How to Maximize the
Marcellus Opportunity Utilizing
Expansion Capital and M&A

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Renaissance Partners

- A Pittsburgh based “boutique” Investment Banking and Consulting Firm that has completed in excess of \$6.2 billion in transactions since its founding in 1986.
- A team of investment bankers, business executives operating executives, environmental consultants and other experts.
- Focus on capital formation for business expansion, acquisitions and management buy-outs.
- A wholly owned subsidiary of Keevican Weiss Bauerle and Hirsch (“KWBH”).



What is KWBH?

- Pittsburgh based Keevican Weiss Bauerle & Hirsch is a leading business law firm with a strong M&A Private Equity and Natural Resources Practices.
- With its ancillary businesses it provides legal and business advisory services to entrepreneurial-minded clients.
- KWBH has served clients throughout the United States, Central and South America, Europe, Australia and Asia.



Identification of Opportunities

- Review of Marcellus Shale Landscape/Ecosystem.
- Assessment of Core Skill Sets and Goals.
 - Review Strategic Plan/Vision
- Identify Potential Opportunities in Which Skills Match Ecosystem Needs
 - Build on Core Business Through Organic Growth?
 - Expand to New Business Lines?
 - Acquire Other Business(es)?
 - Participate (as a buyer or seller) in the Consolidation of Smaller Players Into Larger Entities?



Develop Business Plan/Model

- Capital Required for Expansion/Acquisition
- Anticipate Working Capital Requirements
- Develop Model with 3-5 Year Projections
 - Historical Financials
 - Projected Revenues with Assumptions
 - Projected Costs with Assumptions
 - Projected EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)



Develop Presentation for Potential Funding Sources

- Business Proposition/Goal(s)
- Market Analysis
- Competitive Landscape
- Financial Model/Projections
- Capital Needs/Proposed Sources and Uses
- Management Team
- Exit (if seeking mezzanine debt or equity)



Funding Alternatives

- Senior Debt
- Mezzanine Financing.
- Equity



Senior Debt

- Traditional Bank Financing
- Secured by First Lien on All Assets
- Lines of Credit Based on Percentage of Receivables and Inventory
- Term Loans
 - Often Hard to Obtain in Current Economic Environment
- Generally Limited to 2 – 2.5 x EBITDA in Current Environment (but might be higher for Marcellus Shale business)



Mezzanine Debt

- Fills Gap between Equity and Senior Debt
- Structuring Flexible/Negotiable, with Investors Seeking IRRs of 18-22%
- Investors Typically get Return from Current Pay Interest and Equity-Type Rights
- Current Interest Rates Typically 12-15%, often with a Prepayment Premium
- Equity Return Ordinarily Through Warrants for 5-15% Interest in Company



Mezzanine Debt (Cont.)

- Ordinarily Relatively Light or No Financial Covenants
- In Current Environment, Usually No More than 1x EBITDA, but more willingness to lend against projected EBITDA than for Senior Debt
- Due to Hot Marcellus Shale Market, Might be Able to Obtain More than 1x EBITDA



Equity

- Common or Preferred Stock
- In Current Market Generally Want IRR in mid 20's
- Issues Include
 - Control/Veto Powers
 - Dividends and Preferences if Preferred Stock
 - Valuation
 - Exit



Project Financing

- Very Difficult Market
- Large Equity Requirements – Often 50%
- May Need Government or Strategic Company Assistance to Close Gap



Mergers and Acquisitions

- Pricing has Trended Down Primarily Because Lending Levels are Down
- Marcellus Shale Business Pricing is Not Following the Trend – A Hot Market
- Equity Funds are Very Interested in, and Many are Creatively Looking for, Marcellus Shale Opportunities, including by Partnering with Existing Businesses
- Sellers Can Get Good Valuations and Buyers Can Obtain Funding More Easily and on Better Terms than in Most Other Sectors



Completing the Transaction(s)

- Term Sheets, Letters of Intent, Commitments, Etc.
- Due Diligence
- Definitive Documents
- Closing

