



# Private Capital Funding

“Scorecard for Success”

Berry Mullennix  
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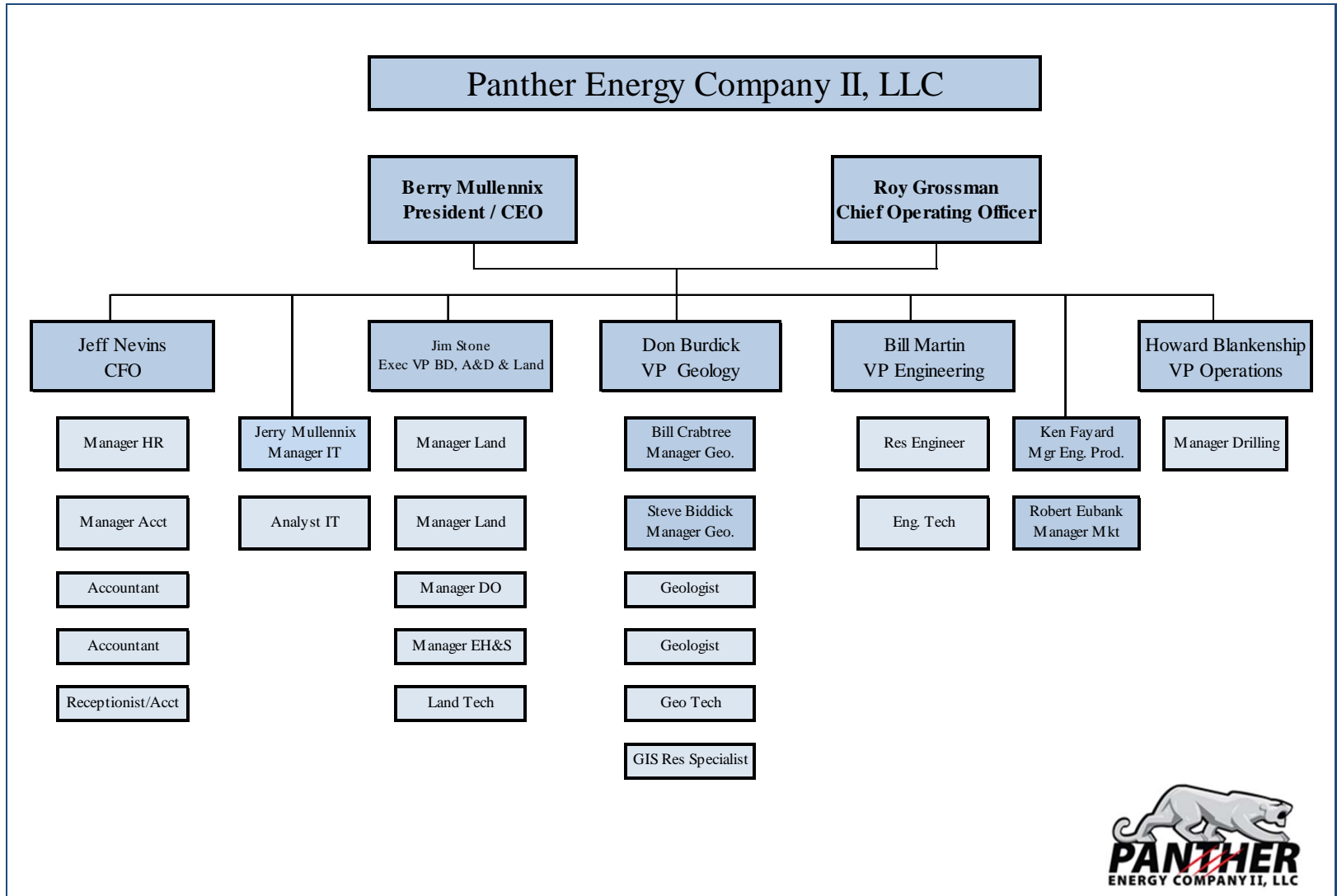


# Do Your Homework

- Build a Team
- Establish Philosophy / Business Plan
- Capital Requirements?



# Do Your Homework – Build a Team



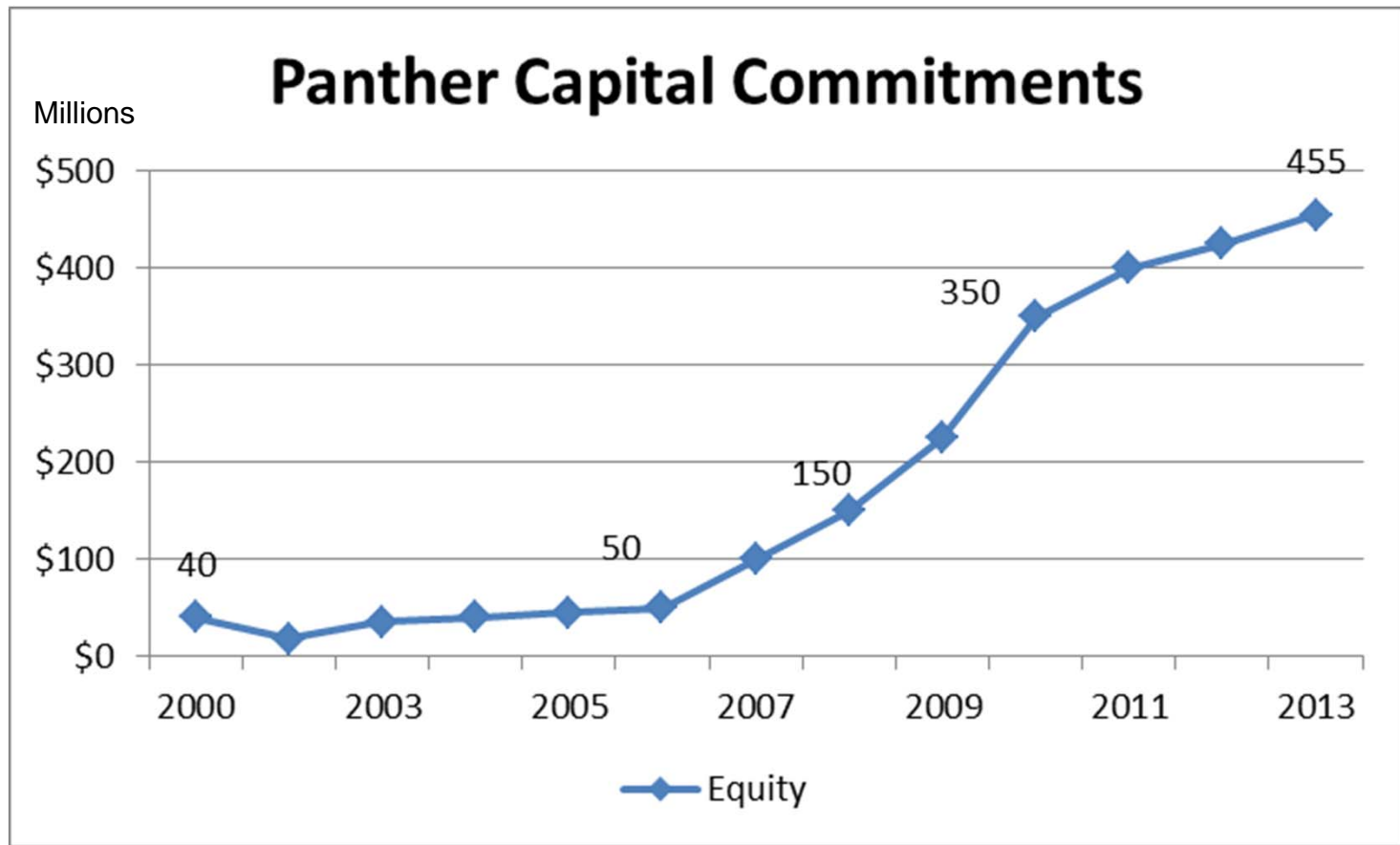


# Establish Philosophy / Business Plan

- Acquire / Exploit vs Exploration
- Domestic vs International
- Onshore vs Offshore
- Horizontal vs Vertical or Both
- Conventional vs Unconventional
- Oil vs Gas or Both
- What Basin(s)?



# Capital Requirements?







# Hit the Road

- Hire the right business partners (Investment Bankers, Brokers, Attorneys, etc.)
- Don't waste time, develop a set timeline for selection and for funding
- Select financial partner firms that are consistent with philosophy and goals





# Choose Wisely

- Key Deal Terms
- Management Style / Personalities
- Control
  - Number of Board Meetings, Management Reporting Requirements, etc.
- Private Equity Company Portfolio Makeup
- References (Contact as many as possible, both good and bad)







# Private Equity Financing – Key Deal Terms

- Total Equity Commitment: \$15MM - \$1 Billion
- Term: 3 – 8 Years
- Investment by Management Team: 0% - 5%
- Baseline Annual Return: 8% - 12%
- Financial Hurdles – Cash Return Multiple and or IRR: (2x – 4x multiple or 20% - 30% IRR)
- Cash Distribution based on Financial Hurdles: (Financial Institution, 88% - 64%; Management 36%)



# Term Sheet Comparisons

Deal Terms	Company "A"	Company "B"	Company "C"
<b>Capital Commitments</b>			
PE Company	\$ 450.0	\$ 450.0	\$ 450.0
Panther Management - (TBD)	\$ 5.0	\$ 5.0	\$ 5.0
	1.10%	1.10%	1.10%
<b>Investment Options</b>			
Common Units - Equity	85.0%	80.0%	80.0%
Class "B" Units - Profit Sharing	15.0%	20.0%	20.0%
<b>Waterfall Events</b>			
<b>First</b> (PE has earned 8%)			
Common Units - Equity	8.0%	8.0%	8.0%
<b>Second</b> (PE has earned up to 2.x)			
Common Units - Equity	85.0%	80.0%	80.0%
Class "B" Units - Profit Sharing	15.0%	20.0%	20.0%
<b>Third</b> (PE has earned 25% IRR & ">=" 2.0x)			
Common Units - Equity	80.0%	80.0%	64.0%
Class "B" Units - Profit Sharing	20.0%	20.0%	36.0%
<b>Vesting (per year)</b>			
Common Units - Equity			
Class "B" Units - Profit Sharing	20%	20%	20%
<b>Number of Portfolio Companies</b>			
Energy	7	9	30





# A Timely Exit

- Huge value creator if done correctly
- Market Conditions
- Project Metrics
- Previous Examples



# Sample Transactions



Company Name	Operations	Property	Sales Price (Millions)	Purchaser
<b>Mannix Oil Company*</b>	1995 - 2001	Arkoma Basin	\$ 109.00	Williams
<b>Cannon Energy Inc</b>	2003 - 2005	Various	\$ 40.00	SUIT
<b>Panther Energy Co., LLC</b>	2005 - 2013	Bakken Shale	\$ 39.00	Brigham
<b>Panther Energy Co., LLC</b>	2003 - 2006	Arkoma Basin	\$ 52.00	Canaan
<b>Panther Energy Co., LLC</b>	2005 - 2013	Anadarko Basin	\$ 220.00	LINN
<b>Panther Energy Co., LLC</b>	2010 - 2012	Mississippi Oil Play	\$ 60.00	Sandridge
<b>Panther Energy Co., LLC</b>	2005 - 2013	Anadarko Basin	\$ 620.00	Midstates





# Conclusions

Critical & Crucial to Ultimate Success Include:

- A strong team
- Partner selection and relationship
- Funding amount and deal terms
- Efficient processes and reporting

Lots of money available





# Show Me The Money!!!

