Oilfield Services Seminar Series
Part II | Sorting M&A Targets Using Triage Due Diligence

John R. Tinnell, Jr. | Senior Vice President, Hilco, Inc.
Jade Laye | Associate, Haynes and Boone
Jennifer Mailhes | Shareholder, Doeren Mayhew
Marilyn Doolittle | Counsel, Haynes and Boone

Panel Moderator:
Chris Wolfe | Partner, Haynes and Boone

April 14, 2016
Hilco Energy Solutions

Maximizing the Value of Assets through Integrated Global Services
We Are International in Scope

*Joint Venture Offices
Hilco Global Delivers Results

• Conducted over 1,800 industrial asset disposition projects.
• 400+ Fortune 2000 clients, across all industries.
• Sold assets from 53 countries into more than 60 countries in 2013.
• Asset sales exceeded $1 billion in 2012 and 2013.
• Disposition of over 200 million square feet of industrial, office and retail properties.
• Appraised and repositioned industrial, commercial and retail real estate worth nearly $4.0 billion, and restructured over 35,000 leases.
• Market leader in recovery through market making for IP, patents and other intellectual property.
• Delivered nearly 20,000 appraisals - values in excess of $200 Billion;
• Converted over $150 billion of excess inventory to cash.
**Monetization**

- **Retail/Wholesale Assets:** Disposition and Acquisition of Inventory, Fixtures and Equipment, Real Estate, Intellectual Property and Debt Instruments
- **Industrial/Manufacturing Assets:** Disposition and Acquisition of Machinery, Equipment, Inventory, Rolling Stock, Real Estate, Debt Instruments
- **Intellectual Property:** Intangible Assets Including Patents, Brands, Trademarks, Domain Names, IPv4
- **Commercial and Institutional Real Estate:** Disposition and Acquisition of Real Estate, Intellectual Property and Debt Instruments
- **Accounts Receivable:** Acquisition and Collection of Commercial Accounts Receivable Portfolios
- **Facility Redevelopment and Repurposing:** Acquisition of Industrial and Manufacturing Sites for Repurposing
- **Private Equity:** Principle investment and operations for strategic businesses, brands and turnaround situations

**Advisory**

- **Retail Performance and Profit Enhancement Strategies**
- **Real Estate Asset Restructuring**
- **Asset Security and Protection Services**
- **Brand Revitalization and Licensing Strategies**
- **Litigation Support Services**
<table>
<thead>
<tr>
<th><strong>MONETIZATION</strong></th>
<th><strong>ADVISORY</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hilco Merchant Resources, LLC</strong></td>
<td><strong>HRC Advisory</strong></td>
</tr>
<tr>
<td>- Retail asset-related disposition and acquisition services</td>
<td>- Strategic consulting for retailers and consumer product companies</td>
</tr>
<tr>
<td>- Retail M&amp;A facilitation</td>
<td>- Performance enhancement and R.O.I. processes</td>
</tr>
<tr>
<td>- Outsourced store management and operation</td>
<td>- Pre-acquisition operational due diligence</td>
</tr>
<tr>
<td>- Shrink reduction services</td>
<td>- Store operations and workforce management</td>
</tr>
<tr>
<td>- Marketing services</td>
<td></td>
</tr>
<tr>
<td><strong>Hilco Fixed Asset Recovery, LLC</strong></td>
<td><strong>Hilco Real Estate, LLC</strong></td>
</tr>
<tr>
<td>- FF&amp;E disposition services</td>
<td>- Lease portfolio restructuring</td>
</tr>
<tr>
<td><strong>Hilco Real Estate, LLC</strong></td>
<td><strong>Hilco Asset Protection, LLC</strong></td>
</tr>
<tr>
<td>- Property/lease disposition</td>
<td>- Physical facility asset security and protection services</td>
</tr>
<tr>
<td>- Principal acquisitions and sale/leasebacks</td>
<td></td>
</tr>
<tr>
<td>- Real estate brokerage/auctions</td>
<td></td>
</tr>
<tr>
<td><strong>Hilco Redevelopment Partners</strong></td>
<td><strong>Hilco Brands, LLC</strong></td>
</tr>
<tr>
<td>- Acquisition of land and property</td>
<td>- Brand strategy, licensing &amp; consulting</td>
</tr>
<tr>
<td>- Financing the redevelopment</td>
<td></td>
</tr>
<tr>
<td>- Orchestrate the redevelopment process</td>
<td></td>
</tr>
<tr>
<td>- Sale or lease of redevelopment</td>
<td></td>
</tr>
<tr>
<td><strong>Hilco Industrial, LLC</strong></td>
<td></td>
</tr>
<tr>
<td>- Acquisition and disposition of machinery, equipment and industrial inventory</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>VALUATION</strong></th>
<th><strong>ADVISORY</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hilco Valuation Services, LLC</strong></td>
<td><strong>HRC Advisory</strong></td>
</tr>
<tr>
<td>- Tangible and intangible asset appraisals in real estate, inventory M&amp;E and IP</td>
<td>- Strategic consulting for retailers and consumer product companies</td>
</tr>
<tr>
<td>- Business valuations</td>
<td>- Performance enhancement and R.O.I. processes</td>
</tr>
<tr>
<td>- Accounts receivable</td>
<td>- Pre-acquisition operational due diligence</td>
</tr>
<tr>
<td>- Insurance/Tax valuations</td>
<td>- Store operations and workforce management</td>
</tr>
<tr>
<td>- Asset verification and tagging</td>
<td></td>
</tr>
<tr>
<td>- Compliance</td>
<td></td>
</tr>
<tr>
<td>- Ad valorem</td>
<td></td>
</tr>
<tr>
<td><strong>Hilco Enterprise Valuation, LLC</strong></td>
<td><strong>Hilco Real Estate, LLC</strong></td>
</tr>
<tr>
<td>- Business valuations</td>
<td>- Lease portfolio restructuring</td>
</tr>
<tr>
<td>- Intellectual property</td>
<td></td>
</tr>
<tr>
<td>- Financial reporting</td>
<td></td>
</tr>
<tr>
<td>- IFRS valuations</td>
<td></td>
</tr>
<tr>
<td>- Fairness and solvency opinions</td>
<td></td>
</tr>
<tr>
<td>- Quality of earnings</td>
<td></td>
</tr>
<tr>
<td><strong>Hilco Real Estate Appraisal, LLC</strong></td>
<td><strong>Hilco Brands, LLC</strong></td>
</tr>
<tr>
<td>- Commercial, retail and industrial</td>
<td>- Brand strategy, licensing &amp; consulting</td>
</tr>
<tr>
<td>- Ad valorem property tax proceedings (real and personal property)</td>
<td></td>
</tr>
<tr>
<td><strong>Hilco Litigation Support</strong></td>
<td></td>
</tr>
<tr>
<td>- Valuation dispute resolution</td>
<td></td>
</tr>
<tr>
<td>- Bankruptcy</td>
<td></td>
</tr>
<tr>
<td>- Shareholder disputes</td>
<td></td>
</tr>
<tr>
<td>- Estate/Gift tax</td>
<td></td>
</tr>
<tr>
<td>- Expert witness</td>
<td></td>
</tr>
</tbody>
</table>

| **Hilco Appraisal Asia-Pacific** | **Hilco Brands UK** |
| - Online asset disposition and redeployment services | - Brand turnaround, restructuring and advisory |
| **Hilco Valuation Europe** | **Hilco Capital Europe** |
| - Inventory: consumer, retail & industrial | - Asset acquisition and investments |
| - Machinery and equipment |  |
| **Hilco Valuation Australia** |  |
| - Retail inventory |  |
| **Hilco Merchant Australia** |  |
| - Asset-related advisory and monetization services to retailers |  |
| **Hilco Capital Europe** |  |
| - Asset acquisition and investments |  |
| **Hilco Industrial Europe** |  |
| - Acquisition and disposition of machinery and equipment, etc. |  |
| **Hilco Industrial Acquisitions** |  |
| - Acquisition and disposition of machinery, equipment, etc. |  |
| **Hilco Brands UK** |  |
| - Brand turnaround, restructuring and advisory |  |
| **Hilco Capital Europe** |  |
| - Asset acquisition and investments |  |
Recent Valuation and Liquidation Assignments
Recent Valuation Projects
Butch’s Trucking is primarily focused on oil and gas rig moving activities and is home to four of the largest and newest fleets of rig moving equipment in Texas and New Mexico.

Butch’s crane services division offers 100 ton to 275 ton cranes for all rig moving needs.

Assets consisted of heavy haul transportation fleet assets including winch trucks, gin trucks, 4/5/6 Axle lowboys, wheel loaders, all terrain cranes, and crawler cranes.

Hilco provided a net minimum return guarantee for the sale of the asset pool.

Hilco sold the assets through a series of private treaty sales and live auctions.
Cal Dive provides manned diving, derrick, pipe laying and pipe burial services to the offshore oil and natural gas industry.

Assets consisted of saturated diving systems (including bells, hyperbaric chambers, umbilical cables, dive compressors, surface dive control chambers, and HPU systems), aquaterra cable handling, lay and burial spread, jet & pipe burial sleds, pig launcher, pile drivers, plow, and lifting frames.

Hilco was retained on a fee basis and sold the assets at a live auction from the company’s facility.
• Global Geophysical Services, Inc. provides an integrated suite of geoscience solutions to the international oil and gas industry including high-resolution Reservoir Grade™ seismic data acquisition, multi-client data products, micro seismic monitoring, seismic data processing, analysis, and interpretation services, and consulting.

• Assets consisted of marine seismic work vessels, pontoon boats, high pressure marine compressors, umbilical reels, guns and related hardware, over 70 service trucks and vehicles, and over 50 trailers.

• Hilco provided a net minimum return guarantee for the sale of the asset pool. Hilco sold the assets through a series of private treaty sales and live auctions.
• HII Technologies, Inc. is a Houston Texas based oilfield services company with operations in Texas, Oklahoma, Ohio and West Virginia.

• The company was mainly focused in horizontal drilling and hydraulic fracturing within the United States’ active shale and unconventional “tight oil” plays.

• Assets consisted of flowback water transfer equipment, power generators, semi tractors and trailers, rock trucks, excavators, loaders, graders and flowback pipe.

• Hilco was retained on a fee basis and was able to sell the entire package of assets to one private treaty buyer.
Preferred Sands is a premium grade proppant facility and one of North America’s largest manufacturers and providers of frac sand for oil and natural gas companies in the hydraulic fracturing industry.

Assets consisted of mining Equipment (including dozers, excavators, haul trucks, and wheel loaders) and process plant and storage equipment (including conveyors, dryers, sorters, screens, bed dryers and silos).

Hilco purchased the assets outright and resold on their own behalf through a series of private treaty sales and live auctions.
WEBCAST/ONSITE AUCTION

Exceptional Offering of Late Model CNC Machining Centers & Coil Tubing Rigs

Thursday, April 14th • 10:00 am Local Time
Calgary, Alberta, Canada
Upcoming Oil & Gas Related Sales

- Working Liner Services
- CHRIS Mechanical Services
- Wilbanks Energy Logistics

- Valuation
- Monetization
- Advisory
EVS: Capabilities

Hilco Enterprise Valuation Services, LLC

Valuations of All Intangible Assets ♦ International Reach
Real Time Market Data From Hilco’s Global Asset Disposition Network

Valuations for Asset-Based Lending
♦ Trade names, Copyrights and Patents
♦ Contracts, Lease streams, Royalty streams, Routes
♦ Proprietary software
♦ Media libraries

Valuations for Cash Flow Lending
♦ Going concern enterprise valuations
♦ Intangible assets for “boot collateral”

Accounting Requirements
♦ SFAS 141 – Purchase price allocations and fresh start accounting
♦ SFAS 142 – Impairment testing
♦ SFAS 157 – fair value measures
♦ Also SFAS 115, 123, 133, 144

Tax Requirements
♦ Asset valuation
♦ Cost segregation
♦ Golden parachutes
♦ Non-competes
♦ NOL limitations and built-in gains
♦ Ad valorem
♦ Estate/Gift Tax

Opinions
♦ Fairness/Solvency

Valuation Dispute Resolution
♦ Fair Market Value, Distressed Fair Market Value and Liquidation Value for:
♦ Businesses
♦ Divisions
♦ Specific assets

• Valuation
• Monetization
• Advisory
Hilco Valuation Services: Intangible Asset Valuations
Representative Transactions

BORDERS
Borders Group
(Valuation and Disposition)
Hilco was retained by the bank agent to value Borders’ IP assets to support a junior tranche with a first lien on the IP. Hilco provided an OLV range of $10-$14 million based on a liquidation scenario that included an operating e-commerce site at the time of sale. Subsequently, Hilco was engaged to dispose of the Border’s IP, including its global trademarks, e-commerce site, customer database and IP addresses. Hilco generated aggregate recovery in excess of $17 million.

Tavern on the Green
(Disposition)
Hilco was retained by the Chapter 7 Trustee, whose only IP asset was the right to appeal an adverse court ruling that had stripped the estate of its trademark. Without funds to pursue an appeal, and with a secured lender looking for recovery, the Trustee asked Hilco to negotiate a settlement and sell the recovered assets. We promptly concluded a deal with the City of New York and converted the settlement into a $1.3 million asset sale.

Collins & Aikman/C&A
Post Consummation Trust
(Valuation and Disposition)
Following the bankruptcy of this $4 billion Tier 1 supplier of interior plastics and soft trim components, remnant assets were transferred to the C&A Post Consummation Trust, including approximately 1,100 patents covering the lifecycle of C&A’s legacy plastics business. Hilco provided an OLV of $4.5 million and was subsequently retained to handle the portfolio disposition. Within eighteen months, Hilco achieved a $4.6 million recovery including the collection of past due royalties from a Korean joint venture partner.

Circuit City DIVX Patents
(Disposition)
The Circuit City Liquidating Trust retained Hilco to sell a portfolio of patents held by DIVX, a dormant Circuit City subsidiary. Hilco marketed the assets to companies with direct and tangential business lines as well as a large network of patent litigation attorneys. The final sale price exceeded $6 million.

Sotheby’s
Sotheby’s
(Valuation)
Hilco was retained to value the intellectual property of the Sotheby’s global auction platform to assist the company’s efforts to re-finance its secured debt. Hilco evaluated the use of the Sotheby’s trademark in its core business, as well as extensions of the brand in other categories including financial services and consumer products. Hilco ultimately generated a valuation report that provided a core underpinning for the extension and increase of Sotheby’s $300 Million revolving credit facility.

Berkline/Benchcraft
(Disposition)
Following liquidation of this furniture manufacturer’s inventory, machinery and equipment, Hilco was retained to sell its IP assets, including the Berkline and BenchCraft brands. Hilco generated interest from Asia-based buyers and eventually sold the assets to Ashley Furniture for over $6 million.

Ritz Camera & Image
and Ritz Interactive
(Disposition)
Hilco was retained to sell the trademarks and domain names associated with the Ritz Interactive e-commerce business including: BoatersWorld.com, sdngler.com, and golfingonly.com. When the going concern sale of Ritz Camera & Image failed to materialize, the scope of Hilco’s engagement was increased to include the Ritz Camera IP and the RitzPix IP assets. Hilco pulled together a sale process in two weeks that resulted in $11.4 Million in additional proceeds for the Ritz estates.

For a conversation about your business needs or for more information, please contact one of our team leaders:

Gabe Fried
CEO
Hilco Streambank
781.444.4940
gfried@hilcoglobal.com

Jack Hazan
Executive Vice President
Hilco Streambank
212.610.5663
jhazan@hilcoglobal.com

David Peress
Executive Vice President
Hilco Streambank
781.444.4940
dperess@hilcoglobal.com

Jason Frank
Managing Director
Hilco Valuation Services
647.504.3263
jfrank@hilcoglobal.com

• Valuation
• Monetization
• Advisory
Deep enough that we put our money where our mouth is.

Monetization | Acquisition | Disposition | Asset Valuation
Inventory | M&E | Real Estate | Intellectual Property

Hilco’s team has a unique cumulative understanding of the metals marketplace that enables us to deliver the most holistic creative solutions possible. The net result is more value to the customer. In fact, with our acquisition of one of North America’s largest steel mills at Sparrows Point, we risked our own capital based on the strength of our total market knowledge. Contact our team today and test our metal.
Summary: How Hilco Can Assist in the Purchase of an Oil and Gas Company

- Early stage estimates of value and industry intelligence
- Valuation of all asset classes for the purpose of deal negotiation and financing
- Liquidation of excess or non-core assets
  - Fee-based disposition
  - Minimum guarantee
  - Outright asset purchase (up-front or post-close)
- Lease renegotiation and/or potential real estate re-development
- Post-close accounting
Hilco Global
Vested in Your Success

Hilco Global Headquarters
5 Revere Drive, Suite 206
Northbrook, IL 60062 USA
www.hilcoglobal.com

Contact
John Tinnell
Senior Vice President
704.905.9559
jtinnell@hilcoglobal.com
Patent Portfolio

Oilfield Services Seminar Series
Part II | Sorting M&A Targets Using Triage
Due Diligence

April 14, 2016

Jade O. Laye
Patent Triage Due Diligence

1. Is Patented Technology used or critical to the services provided by the Target?
   - Goes to the heart of acquisition.
   - Determine whether there are potential bars to future use.
   - Use of Patented Tech. suggests a competitive advantage and added value. Non-use suggests no competitive advantage or added value.
Patent Triage Due Diligence

• Is the Patented Tech. owned or licensed?
• Ownership is better – gives control.
• Licenses are ok, in general, as long as rights are *transferrable* and *exclusive*.
• Buyer Beware: ownership doesn’t always equate to the right to practice invention. Confirm licenses are transferrable.
• Determine the remaining patent term.
2. What is the competitive advantage provided by the Patented Tech.?

- Helps determine whether Patented Tech. is truly valuable.
- Patent values can vary.
- True industry advancement = competitive advantage = value.
- Patented Tech. must be practical in the field.
- Patented Tech. must actually work.
Patent Triage Due Diligence

3. Any pending/ threatened patent infringement lawsuits or other patent proceedings?
   – Can affect valuation of Target.
Questions?

Jade O. Laye
Haynes and Boone, LLP
jade.laye@haynesboone.com
(t) 713.547.2118
Financial Due Diligence on Distressed Companies

Thursday, April 14, 2016

Jennifer Mailhes
Shareholder
713.860.0215
mailhes@doeren.com
Reasons for Distressed Companies

- Economy
- Poor execution
- Shift in consumer preference
- Competition
Quality of Earnings

• Focus on projected earnings to determine if distress can be resolved:
  • Sales and EBITDA bridges
  • Qualifying cost improvement project measures

• Identify cause of distress and quantify impact on sales and EBITDA

• Validate reported earnings to provide baseline upon which “synergies” can be added to support investment thesis

• Review history of trending profit and loss statements
Quality of Balance Sheet

A. Carefully review balance sheet:

• Perform visible inspection of tangible assets at all locations, including:
  • Fixed assets
  • Real estate
  • Inventory
• Seek a professional evaluation of all assets
Quality of Balance Sheet

• Verify loans and financial liabilities

• Review customer base, including:
  • Understanding relationships
  • Contract/MSAs
  • Future orders/backlog
Quality of Balance Sheet

B. Review cash options:

• Is additional liquidity required?

• Can you restructure loan/credit?

If not, explore the following:

• Compile sources and uses, upon which a Finance Request can be built, including paying off existing creditors/lenders

• Perform “regular” QoB/S analysis depending on acquisition structure

Other/Operations

• Review of reporting systems of business – likelihood of errors or irregularities
• Assess management’s decision-making capabilities
Mergers and Acquisitions Process

- Services provided by DMCA and Traditional Investment Banks
- Additional services provided by DMCA

Diagram with stages and tasks:
- Analyze Offers with Tax Implications
  - Select Optimal Offer
  - Negotiate With Bidders
  - Conduct Management Meetings
  - Receive Indications of Interest
  - Market Company to Buyers
  - Prepare Target List
  - Purchase Price and Terms

- Structure for Optimal Tax Treatment
  - Establish Target Working Capital
  - Establish Multi-Departmental Teams
  - Establish Timing
  - Negotiate Other Material Deal Terms

- Due Diligence
  - LOI
  - Due Diligence

- Environmental
- HR and IT
- Seller Notes and Escrows
- Contracts
- Real Estate Leases
- Organizational Issues
- Non-Compete Agreements
- Legal and IP Issues
- Employment Agreements
- Working Capital Analysis
- Disclosure Schedules
- Financial Projections
- Earnouts and Tax Issues
- Financial Statement Due Diligence
- Purchase Price Allocation
- Balance Sheet
- Representations and Warranties
- Financial Information and Taxes
- Purchase Agreement
- Post-Closing Issues

Key Note: Doeren Mayhew CPAs and Advisors
Thank You!
Employee Benefits

Oilfield Services Seminar Series
Part II | Sorting M&A Targets Using Triage
Due Diligence

April 14, 2016

Marilyn Doolittle
Employee Benefit Plan Liabilities Can Be Hidden Deal Killers
Top Three Points in a Due Diligence ERISA Review of a Distressed OFS Company

- Three significant categories to include in the due diligence review:
  - Qualified Retirement Plans
  - Nonqualified Deferred Compensation and Other Executive Arrangements
  - Severance and Change in Control Agreements
Qualified Retirement Plans

- Compliance with Internal Revenue Code and ERISA
  - Generally – who’s minding the shop? HR/Benefits Department may have had layoffs or attrition due to company’s distress situation
  - 401(k) plan - employee contribution deposits to the trust – penalties if late deposits are being made
  - Request target company to terminate the plan before closing to avoid assuming compliance failure liabilities

- Underfunded pension plans
  - Has company kept up with minimum funding requirements? If the plan sponsor is distressed, the plan is likely underfunded
  - Waivers of minimum funding requirements – not really a “waiver,” will be due eventually – on buyer’s watch

- Multiemployer pension plans
  - If union employees – this could be a very big ticket item
Nonqualified and Executive Arrangements

- Nonqualified deferred compensation plans
  - Code Section 409A compliance – complex and fraught with potential footfalls
  - Benefits are not limited like qualified plans
  - Unfunded – liability with no offsetting asset

- Other Executive Arrangements
  - Change in control payment triggers – with or without severance of employment – compensation payable could become buyer’s responsibility
  - If target is publicly traded, possible limitation on compensation tax deduction, and penalty taxes applied to executive due to change in control payments
Severance and Change in Control Agreements

- Severance and Change in Control Agreements
  - Severance plans
    - Cash payments could be substantial
    - Continued medical/life coverage – liability can be bigger than pension liabilities, especially for retiree medical benefits – this could be another very big ticket item
  - Retention agreements
  - Stay bonuses – for the duration of the transaction
  - Change in control agreements
  - Which entity will be required to make payments?
Questions?

Marilyn Doolittle
Haynes and Boone, LLP
marilyn.doolittle@haynesboone.com
(t) 713.547.2901