

**UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

Case No. 8:09-cv-0087-T-26TBM

ARTHUR NADEL;
SCOOP CAPITAL, LLC;
SCOOP MANAGEMENT, INC.

Defendants,

SCOOP REAL ESTATE, L.P.;
VALHALLA INVESTMENT PARTNERS, L.P.;
VALHALLA MANAGEMENT, INC.;
VICTORY IRA FUND, LTD.;
VICTORY FUND, LTD.;
VIKING IRA FUND, LLC;
VIKING FUND, LLC; AND
VIKING MANAGEMENT, LLC,

Relief Defendants.

**RECEIVER'S RENEWED UNOPPOSED VERIFIED MOTION FOR
LEAVE TO RETAIN WHITEHORSE PARTNERS, LLC, TO MARKET
AND SELL QUEST ENERGY MANAGEMENT GROUP, INC.**

Pursuant to 28 U.S.C. § 754, Fed. R. Civ. P. 66, and Local Rule 3.01, Burton W. Wiand, as Receiver, again moves the Court for leave to retain WhiteHorse Partners, LLC (“WhiteHorse”) to market and sell Receivership entity Quest Energy Management Group, Inc. and/or its assets (collectively, “Quest”). The Receiver believes that: (1) retaining WhiteHorse would be in the best interest of the Receivership, (2) WhiteHorse would be an effective marketer of Quest, and (3) the attached Marketing Engagement Agreement is fair

and reasonable (*see Exhibit A*).¹ The Receiver initially requested the Court authorize him to retain WhiteHorse on May 10, 2014 (*see Doc. 1115*), but the Court denied the Receiver's motion without prejudice concluding that it was "divested of any jurisdiction to entertain the [Receiver's] motion" due to the then-pending appeal to the Eleventh Circuit of its order adding Quest to this Receivership (*see Doc. 1116*). On September 25, 2014, the Eleventh Circuit dismissed that appeal because the purported appellant lacked standing. *See Doc. 1138; S.E.C. v. Quest Energy Mgmt. Grp., Inc.*, 2014 WL 4783564 (11th Cir. 2014). Because the Eleventh Circuit dismissed the appeal and issued the mandate, this Court now has jurisdiction to entertain the Receiver's renewed request to retain WhiteHorse.

Background

On January 21, 2009, the Securities and Exchange Commission (the "**Commission**") initiated this action to prevent the defendants from further defrauding investors of hedge funds operated by them. That same day, the Court entered an order appointing Burton W. Wiand as Receiver for Defendants Scoop Capital, LLC and Scoop Management, Inc. and Relief Defendants Scoop Real Estate, L.P.; Valhalla Investment Partners, L.P.; Valhalla Management, Inc.; Victory Fund, Ltd.; Victory IRA Fund, Ltd.; Viking IRA Fund, LLC; Viking Fund, LLC; and Viking Management, LLC. *See generally* Doc. 8 (the "**Order Appointing Receiver**"). The Court subsequently granted several motions to expand the

¹ Although the Order Appointing Receiver authorizes the Receiver to appoint and engage persons in his discretion to assist with carrying out his duties and responsibilities and for the benefit of Receivership Entities and their investors and creditors without the Court's approval (*see Doc. 8* ¶¶ 1, 4, 5), the Receiver seeks the Court's approval because this matter could be significant to the Receivership and its beneficiaries.

scope of the Receivership to include other entities owned or controlled by Arthur Nadel (“Nadel”). *See* Docs. 17, 44, 68, 81, 153, 172, 454, 911, 916, 1024. All of the entities in receivership are hereinafter collectively referred to as the “**Receivership Entities.**” Pursuant to the Order Appointing Receiver, the Receiver was directed to, *inter alia*, administer and manage the business affairs, funds, assets, choses in action and any other property of the Receivership Entities.

Quest’s Operations and Assets

During his investigation, the Receiver learned that proceeds of Nadel’s fraud had been used to purchase or fund various interests in Quest, a Texas-headquartered oil and gas exploration and production company. Specifically, Viking Oil & Gas, LLC (“**Viking Oil**”) and Neil and Chris Moody (the “**Moodys**”) invested \$4 million of scheme proceeds in Quest between February 2006 and April 2007. Valhalla Investment, Partners, L.P. (“**Valhalla**”), a Relief Defendant, also loaned Quest \$1.1 million of scheme proceeds as evidenced by a promissory note executed November 30, 2007, and amended July 29, 2008. In total, Viking Oil, Valhalla, and the Moodys invested at least \$5.1 million of scheme proceeds in Quest. The Receiver successfully sought to expand the scope of the Receivership Entities to include the Quest. *See* Doc. 1024.

The Receiver has made every effort to determine Quest’s potential value since it was included in the Receivership. The Receiver’s initial perspective based upon his review of Quest’s operations and communication with numerous individuals familiar with similar oil and gas exploration operations was that any meaningful sale value would be determined based upon several factors including: (1) Quest’s operational status with the Texas Railroad

Commission; (2) the status of the numerous leases under which Quest operated; and (3) the mechanical integrity of the wells and their ability to produce significant volumes of oil and natural gas. The Receiver determined and reported, however, that Quest's operations when he took over were in disarray – its P-5 operational license was in significant jeopardy, it was deeply insolvent, simple maintenance and basic well management had been ignored for some time, and it was producing less than 2 barrels of oil per day. Thus, in order to bolster Quest's potential sale value the Receiver determined it was necessary to implement a repair and maintenance plan designed to increase oil and gas production and revenues. These efforts have shown signs of success – Quest's P-5 is in active status with the Texas Railroad Commission, and its wells are producing between 25 and 50 barrels of oil per day. While the Receiver's efforts are far from complete, he believes Quest is a much more attractive asset today than it was before it was added to this Receivership. Additional information related to Quest, its assets, and its current status is available in the Receiver's Sixteenth Interim Report (Doc. 1135) and the Receiver's Interim Reports on Quest (Docs. 1054, 1117).

The Receiver's Marketing Efforts and Retention of WhiteHorse

The Receiver's marketing efforts to date have predominately occurred through word of mouth referrals or through communications with potential purchasers familiar with Quest and/or the Receivership. In most instances, communications with these potential purchasers or experts resulted in no meaningful offers. The Receiver also sought the expertise of various individuals with knowledge of the oil and gas exploration industry in an effort to determine a viable means of marketing and selling Quest. Two of the potential marketing firms submitted proposals to the Receiver. After careful consideration, the Receiver has

determined that selling Quest through a private sale with the assistance of WhiteHorse is in the best interest of the Receivership Estate, as he believes it provides the best opportunity to market Quest to the widest audience and maximize its value.

WhiteHorse is a boutique advisory firm based in Nashville, Tennessee. Its professionals have worked together on client engagements for an average of twenty years. *See* <http://whitehorse-partners.com>. Robert W. Scarlata, Senior Managing Director of WhiteHorse, has communicated with the Receiver over the past months and discussed the potential for selling Quest through a private sale. WhiteHorse is familiar with the oil and gas industry and has marketed and sold (or is currently marketing and in the process of selling) companies similar to Quest. Specifically, within the last twelve months, Whitehorse has closed the sale of a \$28 million oilfield survey company, a \$13.75 million petrochemical oil and gas inspection company, and an \$11 million non-destructive testing company. Whitehorse is also currently in negotiations with another oil and gas services company located in the Permian Basin with initial expressions of interest in the \$45 million dollar range. WhiteHorse has an indication of interest in an oilfield services company that specializes in maintenance in the \$20 million range, and it is in serious discussions regarding a \$22 million natural gas and construction drilling company. Additional materials regarding WhiteHorse are attached hereto as **Exhibit B**. In short, the Receiver believes retaining WhiteHorse is in the best interest of this Receivership.

WhiteHorse's marketing strategy follows a careful process that includes the following:

- Complete review of the documentation related to Quest's current and past operations including its current and past accounting databases so consolidated financial statements can be prepared;
- Determination of market value;
- Development of a unique marketing plan aimed at locating a qualified purchaser;
- Preparation of a Confidential Marketing Memorandum (CMM) outlining the particulars of Quest;
- Execution of a marketing initiative;
- Qualification of purchase prospects as to their financial wherewithal and prior transactions /experience with an entity such as Quest;
- Conduct tours of the property and meet with key personnel;
- Analysis of all offers;
- Assistance with the negotiation of a letter of intent or purchase offer; and,
- Work all the details including due diligence right through the date of closing.

WhiteHorse has presented the Receiver with a Marketing Engagement Agreement which seeks a non-refundable \$5,000 retainer and a 6% commission of the sale price of Quest. The \$5,000 retainer is credited at the time of closing. *See Exhibit A.* The Receiver believes the terms in the attached agreement are fair and appropriate and requests that the Court grant him leave to retain WhiteHorse on a contingency basis pursuant to the terms set forth in Exhibit A.

The Receiver will take steps to ensure that reasonable value is received for Quest and that the sale is in the best interest of the Receivership Estate. The Receiver will not sell Quest or any of its assets without the Court's approval and will comply with the statutory requirements for a sale as directed by the Court.

The Court's Authority

The Court's power to supervise an equity receivership and to determine the appropriate action to be taken in the administration of the receivership is extremely broad. *SEC v. Elliott*, 953 F.2d 1560, 1566 (11th Cir. 1992); *SEC v. First City Fin. Corp.*, 890 F.2d 1215, 1230 (D.C. Cir. 1989). The Court's wide discretion derives from the inherent powers of an equity court to fashion relief. *Elliott* at 1566 (citing *SEC v. Safety Fin. Serv., Inc.*, 674 F.2d 368, 372 (5th Cir. 1982)).

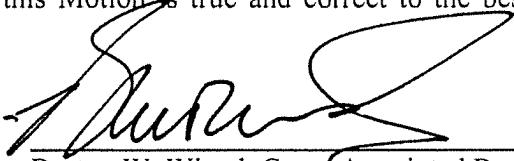
Based on (1) the Court's wide discretion, (2) the Receiver's independent investigation into the matters discussed in this motion, (3) the skill and competency of WhiteHorse to market and sell a company like Quest, and (4) the reasonableness of the Marketing Engagement Agreement (Exhibit A), the Receiver requests that the Court grant the Receiver leave to retain WhiteHorse Partners, LLC to assist him with the marketing and sale of Quest pursuant to the terms of the attached Marketing Engagement Agreement.

CERTIFICATE UNDER LOCAL RULE 3.01(g)

Undersigned counsel has conferred with counsel for the Commission and is authorized to represent to the Court that this motion is unopposed.

VERIFICATION OF RECEIVER

I, Burton W. Wiand, Court-Appointed Receiver in the above-styled matter, hereby certify that the information contained in this Motion is true and correct to the best of my knowledge and belief.



Burton W. Wiand, Court-Appointed Receiver

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on October 28, 2014, I electronically filed the foregoing with the Clerk of the Court by using the CM/ECF system.

s/Gianluca Morello

Gianluca Morello, FBN 034997

Email: gianluca.morello@wiandlaw.com

Michael S. Lamont FBN 0527122

Email: mlamont@wiandlaw.com

WIAND GUERRA KING P.L.

5505 W. Gray Street

Tampa, FL 33609

Tel: 813-347-5100

Fax: 813-347-5199

Attorneys for the Receiver, Burton W. Wiand

EXHIBIT A



WhiteHorse Partners, LLC
4525 Harding Pike, Suite 200
Nashville, TN 37205
615-371-1919 Office
Info@WhiteHorse-Partners.com

For: Quest Energy Management Group, Inc.
Wiand Guerra King, Trustee
Att: Burton Wiand
5505 West Gray Street, Tampa, FL 33609 (813-347-5100) Bwiand@WiandLaw.com
From: WhiteHorse Partners, LLC ["WHP"]
Ref: Marketing & Sale of Quest Energy Management Group, Inc.
Date: May 9, 2014

Type: Non-Exclusive As your representatives, we shall be considered procuring cause solely as to an acquirer we introduce to the opportunity and who closes the transaction for the purchase of the business.

Duration: Twelve (12) months from the date of your signature below.

Right to Cancel: Upon 30 days written notice after six months by either party for any reason or no reason.

Carryover Period: A Success Fee shall be due as to any/all prospects who have signed a Confidentiality Agreement while this is in force, for a period of two (2) years after termination of this Agreement with respect to a sale to any such party within that 24 month carryover period.

Party Responsibilities: Use our best professional efforts to locate an acquirer to purchase your business on terms & conditions that are acceptable to you as indicated in a dual signed Letter of Intent [followed by the contract for sale, the Definitive Purchase Agreement.] We are not accountants or attorneys. Other professionals provide these services for which you provide compensation. We make no guarantee that a transaction can be effected. Both parties shall maintain the Confidentiality of the (sale) process. Client shall cooperate in a timely fashion as to all requests for information. It is the Client's duty to provide true and correct information and to inform WHP within 10 business days of any material changes in the nature of the business for the duration of this agreement.

Success Fee: 6% of Total Consideration including assumption of any/all liability of any nature including but not limited to Accounts Payable on the day of closing

Consideration: You keep the cash in bank and any non-operating assets. No fee due on these elements. You pay off all interest bearing debt at closing (from your cash and/or the closing proceeds.) The acquirer purchases your current assets (Accounts Receivable, Inventory/Supplies, Other Current Assets) and All Your Operating Fixed Assets. The acquirer pays a combination of cash and other consideration as you may agree to including but not limited to assumption of your current liabilities [and any/all other liabilities assumed], promissory note, equity retained in your company and/or the acquiring company...our fee is calculated on Total Consideration including all of these elements that are determinable at time of closing. Other elements that would be considered part of Total Consideration include but not limited to non-compete agreements, consulting agreements, real estate sale/lease.

Indeterminable Consideration at Time of Closing & Other Components: 1) You may agree to bonuses/earnouts based upon performance. As they cannot be determined at the time of closing no fee is due until they are received (note: no fee shall be due on employment related bonuses that would typically be paid to the key executive in the position you hold); 2) Retained equity shall be valued on a pro-rata basis as that of the percentage equity sold; 3) The Fee paid shall be identical whether you agree to an asset sale or a stock sale (if a stock sale, then the purchase price for the stock plus all other consideration plus the total liabilities, including Current on the balance sheet at the time of closing.) 4) If you or any affiliate groups own the real estate and it is sold then the relevant fee at that consideration level shall be paid; 5) if you or an affiliate owns the real estate and it is leased to the acquirer then a fee shall be paid on the sum of the 1st 5 yrs lease payments. It is possible that the agreement for producing wells and mineral rights may include future royalties or participation in future revenue/earnings, in which case the fee due shall be paid upon receipt by Client.

| | |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| When Success Fee Is Due: | A success fee shall be due upon the closing of a sale to a prospect during the term of this Agreement or the Carryover Period. An invoice will be provided to you at time of closing outlining the Total Consideration and it shall be paid per the Wire Instructions provided concurrent with closing. The success fee as to the amount of payments or any other consideration indeterminable at closing (such as royalties, earnouts) shall be due immediately upon receipt at the applicable percentage rate. |
| Dispute Resolution: | All such disputes shall be resolved by binding arbitration through the American Arbitration Association or through FINRA. This Agreement shall be governed by and construed in accordance with the laws of the state in which Client's business is located. The prevailing party shall recover all costs including but not limited to attorneys fees and all other expenses as may be awarded by the arbitrators. Jurisdiction shall be the State in which your business is located and venue shall be the largest nearby city with commercial air service. |
| Agreed Upon Assignment: | <p>Client acknowledges that the transaction may be structured as the sale of stock or other transaction subject to federal and state securities laws. In such event, federal and state securities laws will apply to such transaction, and it will become necessary that the transaction be handled through a securities broker/dealer licensed with the United States Securities and Exchange Commission, state securities regulators and the Financial Industry Regulatory Authority (FINRA).</p> <p>Client further acknowledges that this letter agreement will automatically, with no further action required by either Client or WHP be assigned to StillPoint Capital, LLC ("SPC") if the transaction is structured as a stock sale. In the event of such assignment, Client will continue to work with representative(s) of WHP who are also registered representatives of SPC.</p> |
| Price: | The Company shall be marketed without a price. |
| Expenses: | A non-refundable \$5,000 retainer is due upon signing hereto 100% of this retainer fee shall be credited against the Success Fee at closing. |
| Indemnity: | Both parties shall indemnify, defend and hold the other harmless with respect to any and all liability for which the other may be responsible including attorneys costs. |
| Inability to Deliver: | In the event that WHP provides a ready, willing and able acquirer with whom a dual signed LOI is agreed upon but you change your mind without a good faith reason for doing so and decide to keep the Company, then the Success Fee shall be due. However, you have the absolute right to reject any and all offers no matter how high they may be and no matter the reason and no fee shall be due under such circumstances. |
| Entire Agreement: | This is the entire agreement and will supersede all prior agreements and discussions. If any part is found to be invalid or unenforceable the remainder shall not be affected. |
| Authority: | You agree that you are fully authorized to enter into this agreement and that you will personally guarantee payment of the fee. |

Agreed:

Burton W. Wiand, Receiver for
Quest Energy Management Group, Inc.

WhiteHorse Partners, LLC

By: Burton W. Wiand, Receiver for
Quest Energy Management Group, Inc. Date: _____

By: _____

| | |
|-------------|------|
| Name, Title | Date |
|-------------|------|

StillPoint Capital [SPC]

By: _____
Individually _____ Date _____

By: _____
Amy Cross, CEO of SPC Date _____

Addendum

Company Name: _____

DBA, If Any: _____

Co Physical Address: _____

Mailing Address: _____

Main Contact: _____

Position/Title: _____ eMail: _____

Who Else Should Be Copied on Emails: _____

Confidential Mail: _____

Phone Nos: Cell _____ Office _____ Home _____

Form of the Co.: "C" _____ "S" (date) _____ LLC _____ Partnership _____ Sole Prop _____ Other _____

Shareholders/Members: _____

| Name | Title/Position | % Ownership |
|------|----------------|-------------|
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Family Members: _____

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On Payroll: _____

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| _____ | _____ | _____ |
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Real Estate: Leased (¿) _____ Owned (¿) _____ If yes, by whom? _____

Date Co Founded: _____

Date Current Owner: _____

Co' Principal Activities: _____

Acct Name/Address: _____

Lawyer Name/Address: _____

Who in the Co knows it's for sale? _____

Reason for Sale: _____

Key Objectives: _____

EXHIBIT B

WhiteHorse Partners, LLC

Mergers & Acquisitions

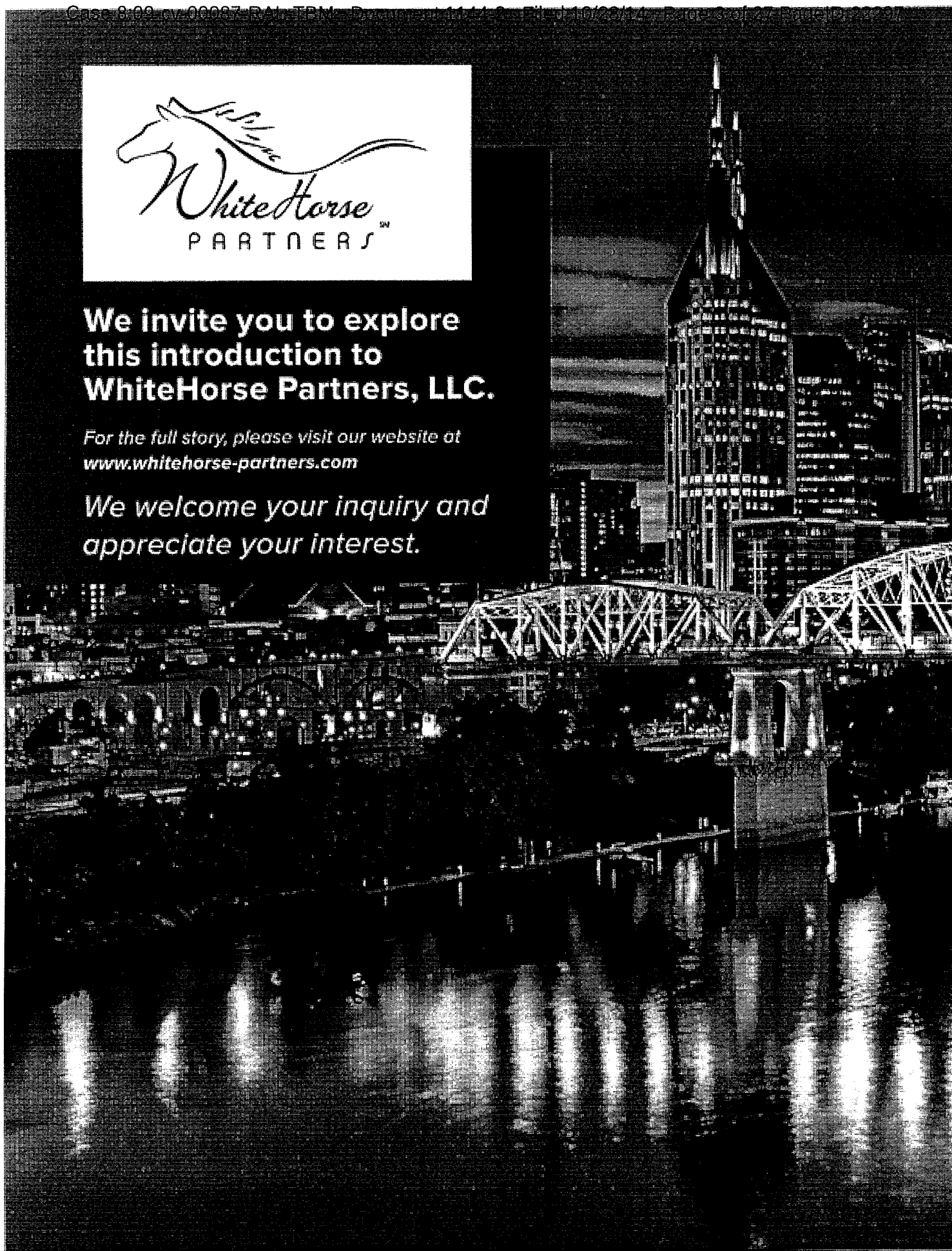


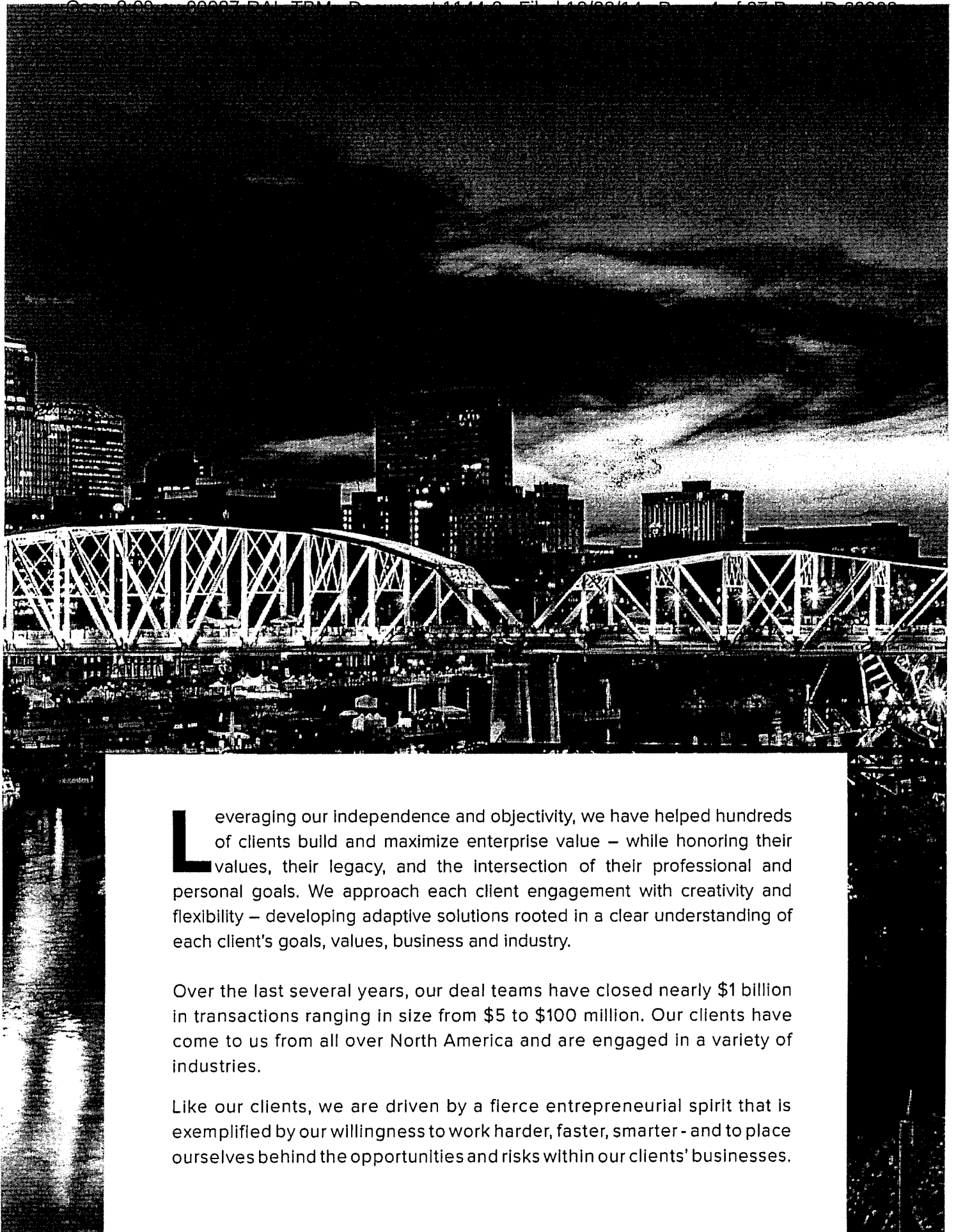


**We invite you to explore
this introduction to
WhiteHorse Partners, LLC.**

*For the full story, please visit our website at
www.whitehorse-partners.com*

*We welcome your inquiry and
appreciate your interest.*



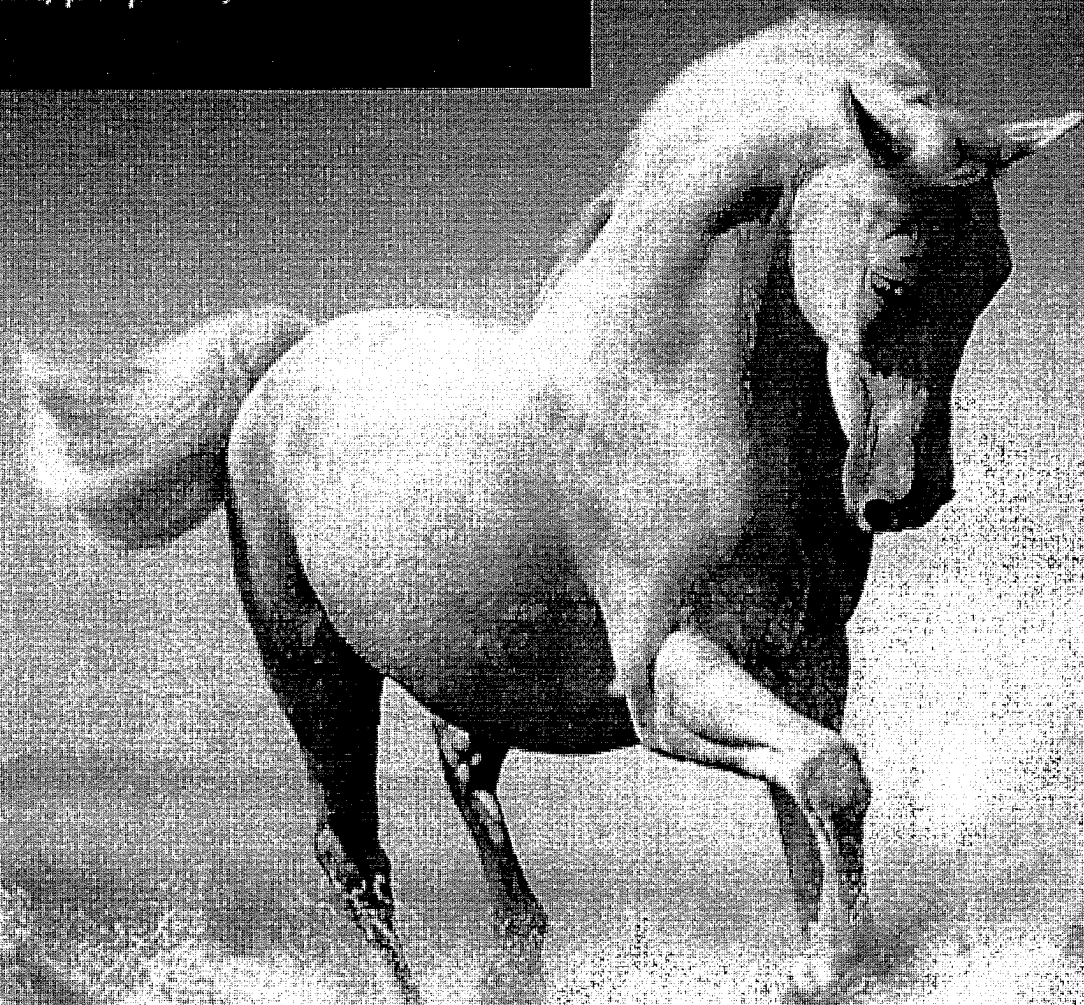


Leveraging our independence and objectivity, we have helped hundreds of clients build and maximize enterprise value – while honoring their values, their legacy, and the intersection of their professional and personal goals. We approach each client engagement with creativity and flexibility – developing adaptive solutions rooted in a clear understanding of each client's goals, values, business and industry.

Over the last several years, our deal teams have closed nearly \$1 billion in transactions ranging in size from \$5 to \$100 million. Our clients have come to us from all over North America and are engaged in a variety of industries.

Like our clients, we are driven by a fierce entrepreneurial spirit that is exemplified by our willingness to work harder, faster, smarter - and to place ourselves behind the opportunities and risks within our clients' businesses.

The Legendary White Horse is known for its symbolic meaning that represents strength, passion, commitment, purpose, and results.



THE LEGEND OF THE WHITE HORSE

The Legendary White Horse is known for its symbolic meaning that represents strength, passion, commitment, purpose, and results. Throughout the history of diverse cultures and spirituality, the White Horse exemplified leadership through power, wisdom, values, and protection.

We at WhiteHorse Partners, LLC believe that these virtues are critical characteristics of an advisor who will guide you, the entrepreneurial-minded business owner, through what will likely be the most important, most complex and most valuable transaction of your life.

A UNIQUE COLLABORATIVE APPROACH

Ours is not a “one-size-fits-all” commoditized process. The entire WhiteHorse Partners team takes a personalized, hands-on approach to working with each and every client.

We are known for our willingness to invest significant amounts of time and energy to understand the specific circumstances of each client’s business. We do the research up-front, when it should be done. We ask the right questions and we actively listen to the answers.



*We are known for our willingness
to invest significant amounts of
time and energy to understand
the specific circumstances of each
client's business.*



WhiteHorse Partners, as a boutique advisory firm, has the luxury of being able to focus on the client's singular objective, without distraction.

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ethical code
quality or
INTE

A BOUTIQUE M&A ADVISORY FIRM

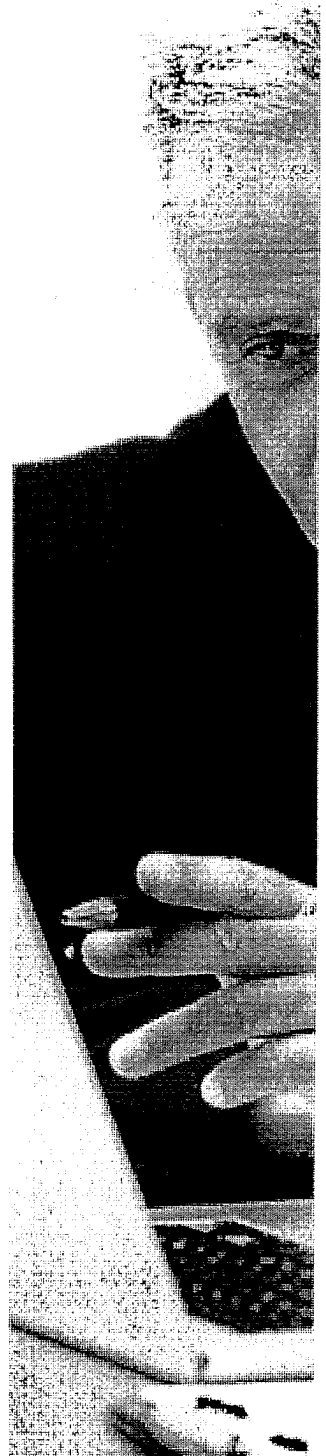
Unlike larger bulge-bracket firms and Wall Street giants, we engage clients based on the opportunity to bring true value to the table. With no underlying agendas and no add-on service offerings, WhiteHorse Partners, as a boutique advisory firm, has the luxury of being able to focus on the client's singular objective, without distraction. Our deal teams roll up their sleeves and are in it for the long haul. We're committed to your best interests.

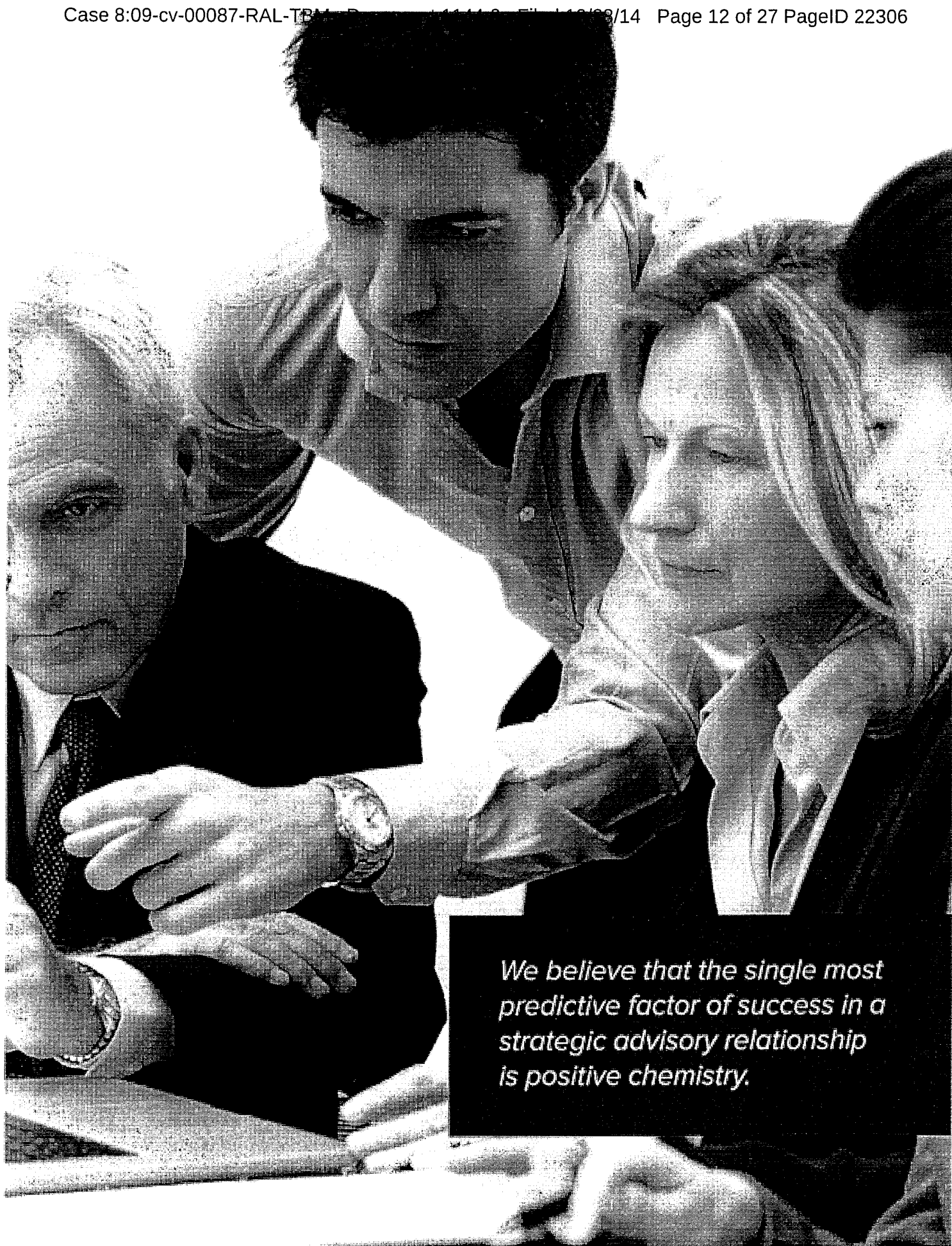
Because we only succeed when you do, we have a significant vested interest in seeing to it that your objective is achieved by creating and maximizing value and by optimizing the outcome of the transaction. We personally research, negotiate, and manage all aspects of every engagement, and pride ourselves on building long-term, mutually rewarding relationships that transcend mere transactions.

WE WORK EXCLUSIVELY WITH SUCCESSFUL ENTREPRENEURIAL-MINDED BUSINESS OWNERS

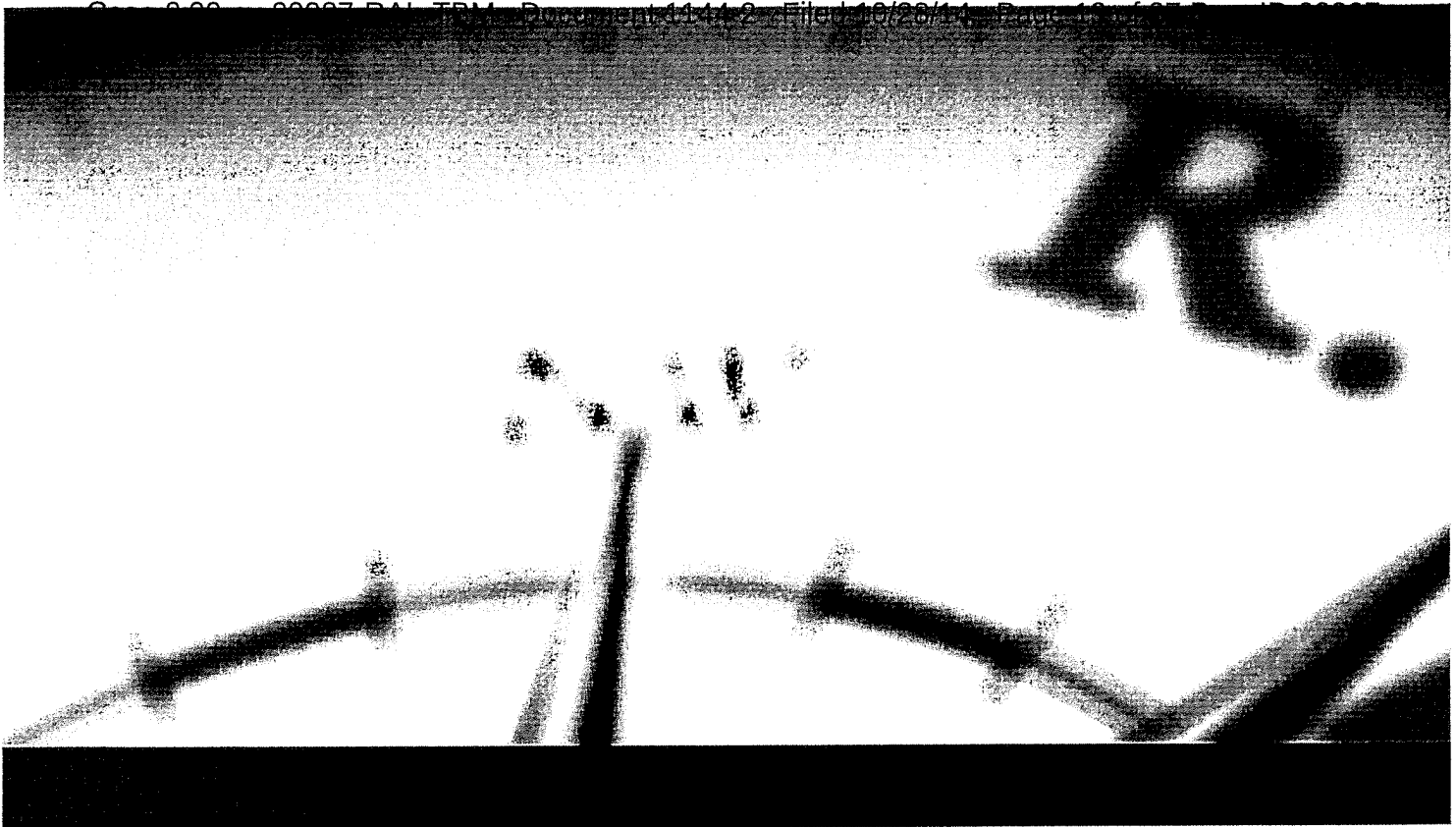
We work only with a select number of clients at any given time, which allows us to concentrate all of our creativity and talent on a small number of clients to whom we bring great value. We choose our clients as carefully as we choose our friends, because we believe that the single most predictive factor of success in a strategic advisory relationship is positive chemistry.

Often, these are company founders. Sometimes, they are multi-generation families. They all started with a common goal: first, to build something of value, and someday—when the value can be maximized—to either take some chips off the table and enjoy continued growth, or divest themselves completely and ride off into the sunset.





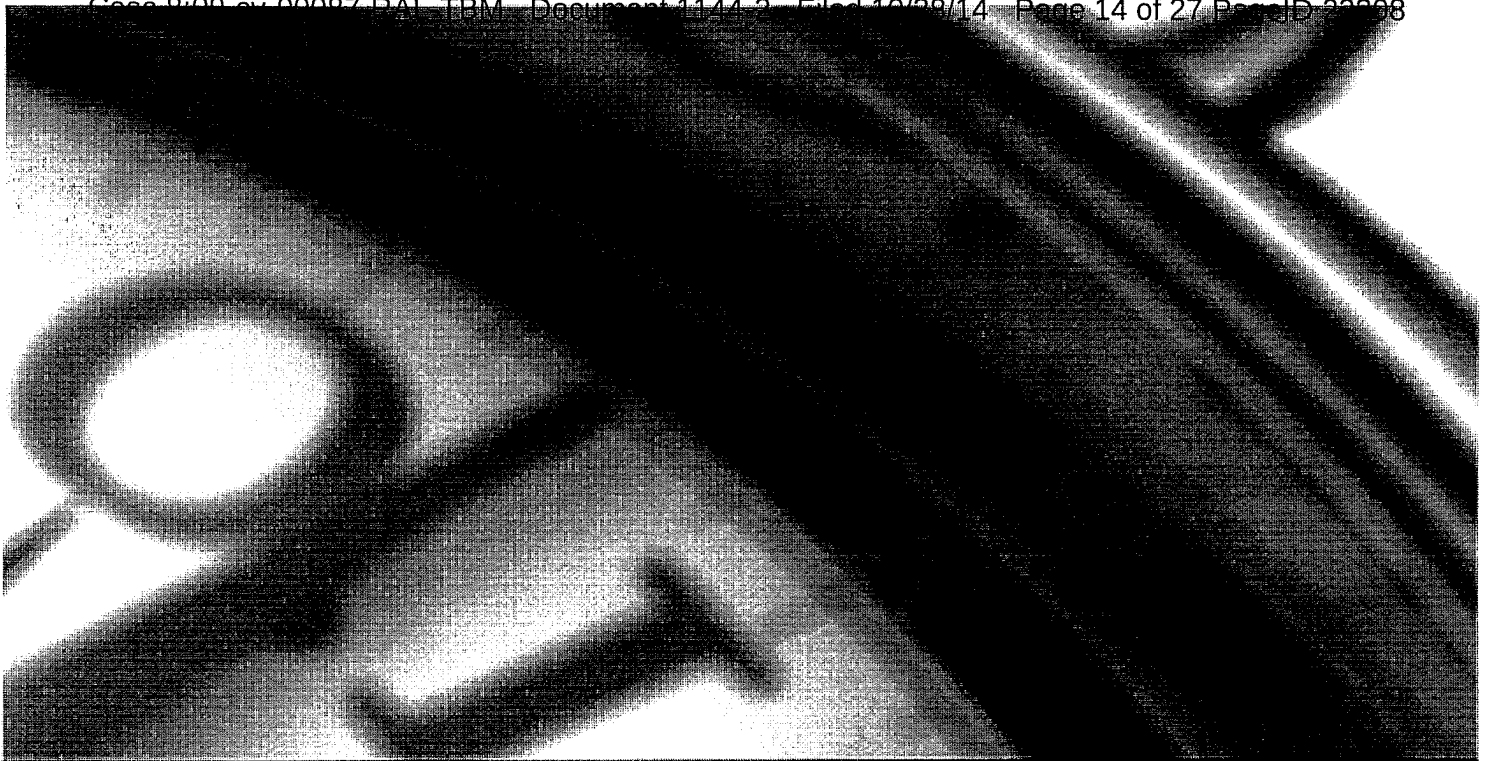
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OUR PROCESS

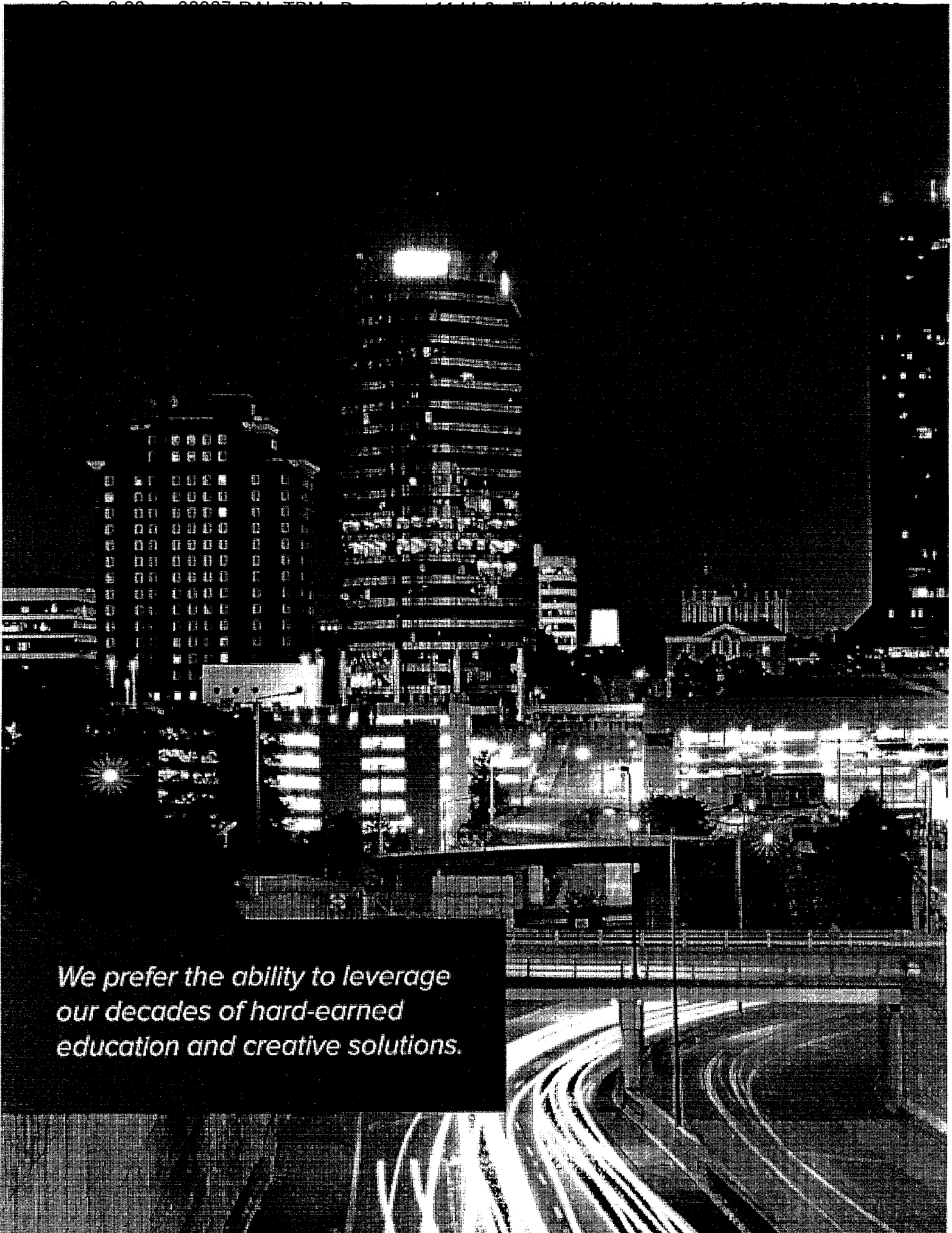
WhiteHorse Partners, LLC's unique process is flexible—closely considering each client's circumstances and objectives--yet formal. Client confidentiality is of highest priority and is protected via staged disclosure of information and a thorough qualification process.

We prefer to WORK SMARTER NOT HARDER. As such, our deal teams have worked together to develop a "Best Practices" methodology, which is the product of decades of education, on-the-job training, positive (and not-so-positive) experiences, and client feedback. Each major component of the WhiteHorse Partners Process has been adjusted and finely tuned, rendering our process more efficient and more effective than that of other M&A advisory firms. Our primary motivation in developing our "Best Practices" was to lessen the burden and mitigate the stress endured by the client during each stage of the transaction process.



The WhiteHorse Partners Process involves the following steps:

- Collect as much information as possible—qualitative and quantitative—about the Company and its operations via interviews, site visits, etc.
- Analyze the Company's financial position as it currently operates
- Determine areas where profitability, and therefore value, could be increased
- Determine the adjusted Enterprise Value of the Company
- Assess and build consensus among shareholders on the strategic options
- Assess the Company strategy, industry characteristics, and competitive dynamics
- Create Company descriptive information
- Strategize to determine best potential buyer/investor fit
- Position the Company to optimize its market value
- Search worldwide for the best strategic or financial buyer/investor
- Evaluate many potential candidates; proceed with a select few
- Customize the approach to each buyer/investor based on individual respective wants and needs
- Coordinate buyer/investor meetings
- Orchestrate limited auction process amongst interested buyers/investors
- Negotiate and structure the transaction for the best price, terms, and conditions
- Build upon the client's existing advisory team to create a world-class M&A advisory team
- Manage the due diligence process in such a way that burden is largely removed from the client
- Organize a confidential online data room to share Company information with buyers/investors
- Steadfastly guide all parties across the finish line to close the transaction



*We prefer the ability to leverage
our decades of hard-earned
education and creative solutions.*



BROAD-BASED KNOWLEDGE AND EXPERTISE

At WhiteHorse Partners, we are not limited by a focus on a single vertical industry. Many firms believe that having more data or information about a single, specific industry might result in greater success. Based on our own, as well as our clients' experiences, we respectfully disagree.

We prefer the ability to leverage our decades of hard-earned education and creative solutions developed via our experiences in multiple industries, to bring fresh perspectives and inspired resolutions to client challenges in other industries.

Further, experience suggests that the largest determinant for success is not knowing the most about the client's industry; we trust that the clients are the experts there. Rather, success results from gaining an intimate understanding of the client's personal and professional goals, and then using that understanding to find the buyer/investor who will optimize the client's ability to meet those goals.

Our exceptional skills in value creation, combined with our team and process methodologies, enhance the entire M&A process.

OUR TEAM

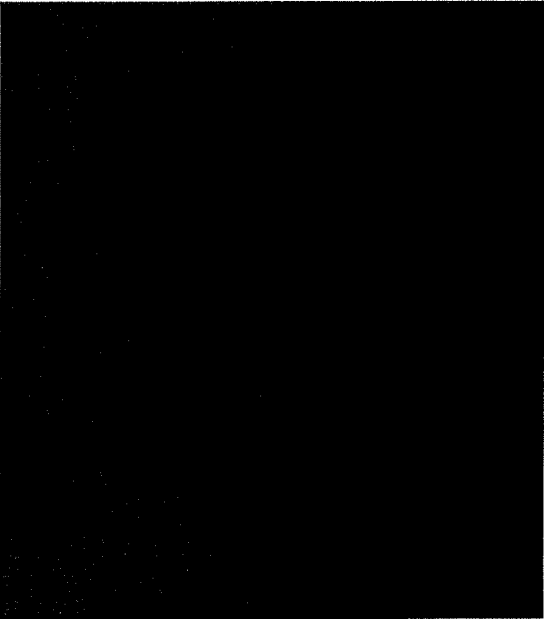
At WhiteHorse Partners LLC, we are career-long professionals of our craft who leverage our unique individual strengths as a collaborative team that has worked together on client engagements for an average of nearly 20 years. Our exceptional skills in value creation, combined with our team and process methodologies, enhance the entire M&A process.

We believe that great advisors are dependable in all of their relationships. Personally and professionally, they are the kind of people in whom friends and clients place their trust and confidence. Otherwise, why would you want them to "advise" you on anything?

We tell the truth, quickly and candidly, even if it hurts. We always have parallel interests with our clients, with no ulterior motives.

BRANTLEY KEMP

Managing Partner



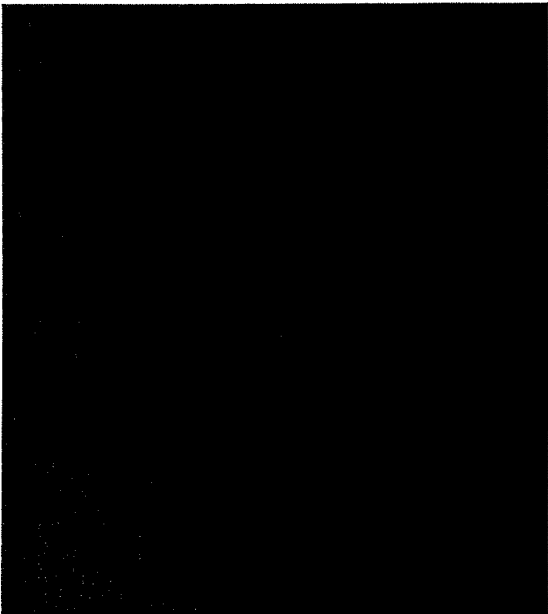
Brantley Kemp has successfully directed clients through the M&A process for more than 20 years. His deep domain experience has brought transformative value to clients participating in Industries experiencing dramatic change and consolidation, including energy & utilities, oil & gas services, transportation, machining, firearms and IT.

Background

A forty year veteran of the financial industry, Mr. Kemp spent his early years on Wall Street where he was a Regional Vice President with a major brokerage firm and the No.1 producing broker worldwide--among six thousand brokers. He then served in various executive capacities with a handful of NYSE member firms in both New York and Chicago.

Mr. Kemp graduated from East Tennessee State University with a double major in Business and Political Science. An avid outdoorsman, he resides in Brentwood, Tennessee with his wife Brenda. They enjoy spending time with their three grown children and six grandchildren.

JAMES "JIM" VARALLO
Senior Managing Director



Jim Varallo has advised privately-held companies on their strategic alternatives for over twenty years. He has guided clients across a wide spectrum of industries including industrial manufacturing, consumer products, software, and business services. Varallo is a strong advocate for his clients and the outcomes they are striving to achieve.

Background

Jim has more than 35 years of business experience, both as an entrepreneur and as a practitioner in mergers and acquisitions. Prior to his entrée into the world of M&A, Jim owned and operated his own multi-million dollar distribution company—distributing specialty foods to customers throughout the southeast portion of the U.S. When his company was acquired, he launched his own very successful commercial real estate firm, which he maintains an interest in today.

Jim graduated from Vanderbilt University, where he received his degree in Business Administration with a minor in Business Law. Jim's wife of 35 years, Deborah, is a successful entrepreneur herself. In addition to managing their commercial real estate firm, Deborah owns a very highly regarded Public Relations & Marketing Firm.

Despite their busy life style, Jim still has time to engage in other activities. He has been a member of St. Stephen Catholic Community for almost 28 years and has served as Parish Council Chair and member of the finance committee for his parish community for the past 8 years.

Jim is also a licensed pilot and Coast Guard Captain, spending most of his free time aboard his cruiser "Snap Shot" named after his wife, who is also a professional photographer.

RICHARD DILLARD
Senior Managing Director

Richard Dillard has been instrumental in all aspects of the M&A process, having served as advisor in both buy-side and sell-side M&A activity for nearly 10 years.

Background

Prior to his M&A advisory career, Richard was a successful entrepreneur, having owned and operated a multi-million dollar retail business in the metro Atlanta area. After the successful divestiture of his company, Richard joined a Nashville-based real estate investment group where he spent several years advising clients in the areas of commercial and industrial real estate investment.

Richard is a graduate of Furman University with a BA in Psychology. He was a collegiate scholarship swimmer and was active in his fraternity. After graduating from college, Richard entered the sales profession earning numerous awards and sales achievements with companies like United Van Lines, Coca-Cola and MacGray.

A natural born leader, Richard serves as an Elder in his church, LifeHouse Fellowship, where he oversees the Education and Small Group ministries. He enjoys serving in the Missions ministry and taught Sunday School for over 15 years. He is an avid triathlete, runner, swimmer, and cyclist, competing well enough to be invited to the National Age Group Olympic Triathlon Championships in 2013.



WhiteHorse Partners, LLC

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Email: LYorath@WhiteHorse-Partners.com

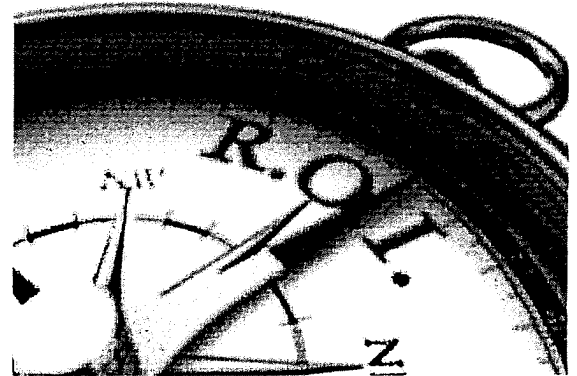
website: www.whitehorse-partners.com

We welcome your inquiry and appreciate your interest.

The WhiteHorse Partners Process

WhiteHorse Partners, LLC's unique process is flexible—closely considering each client's circumstances and objectives—yet formal. Client confidentiality is of highest priority and protected via staged disclosure of Information and a thorough qualification process.

We prefer to WORK SMARTER NOT HARDER. As such, our deal teams have worked together to develop a "Best Practices" methodology, which is the product of decades of education, on-the-job training, positive (and not-so-positive) experiences, and client feedback. Each major component of the WhiteHorse Partners Process has been adjusted and finely tuned, rendering our process more efficient and more effective than that of other M&A advisory firms. Our primary motivation in developing our "Best Practices" was to lessen the burden and mitigate the stress endured by the client during each stages of the transaction process.



THE WHITEHORSE PARTNERS PROCESS INVOLVES THE FOLLOWING STEPS:

- Collect as much information as possible—qualitative and quantitative—about the Company and its operations via interviews, site visits, etc.
- Analyze the Company's financial position as it currently operates.
- Determine areas where profitability, and therefore value, could be increased.
- Determine the adjusted Enterprise Value of the Company.
- Assess and build consensus among shareholders on the strategic options.
- Assess the Company strategy, industry characteristics, and competitive dynamics.
- Create Company descriptive information.
- Strategize to determine best potential buyer/investor fit.
- Position the Company to optimize its market value.
- Search worldwide for the best strategic or financial buyer/investor.
- Evaluate many potential candidates; proceed with a select few.
- Customize the approach to each buyer/investor based on individual investor wants and needs.
- Coordinate buyer/investor meetings.
- Orchestrate limited auction process amongst interested buyers/investors.
- Negotiate and structure the transaction for the best price, terms, and conditions.
- Build upon the client's existing advisory team to create a world-class M&A advisory team.
- Manage the due diligence process in such a way that burden is largely removed from the client.
- Organize a confidential online data room to share Company information with investors.
- Steadfastly guide all parties across the finish line to close the transaction.

WhiteHorse Partners, LLC

Mergers & Acquisitions



The WhiteHorse Partners Process

Roles & Responsibilities

MARKETING PROCESS

| | WhiteHorse Partners LLC | Client |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Develop Marketing Plan | <ul style="list-style-type: none"> Develop initial marketing strategy Finalize all marketing materials, buyer lists, etc. | <ul style="list-style-type: none"> Approve marketing strategy. Approve all marketing materials, buyer lists, etc. |
| Execute Marketing Plan | <ul style="list-style-type: none"> Initiate simultaneous mailing, telesales, print & electronic media campaigns to reveal prospective buyers. | <ul style="list-style-type: none"> Focus on managing business. Provide updated financials when requested by WHP. Inform Managing Director (MD) of any substantive changes to business. |
| Engage Prospective Acquirers | <ul style="list-style-type: none"> Continue implementation of marketing strategy. Distribute CMMs to qualified prospective buyers who submit signed Confidentiality Agreements (CAs). Review CMM with qualified prospective buyers. Arrange and attend prospective buyer site visits and meetings. | <ul style="list-style-type: none"> Focus on managing business. Provide updated financials as requested by WHP. Inform MD of substantive changes to business. Be available as necessary for buyer visits, meetings, etc. |
| Letter of Intent to Purchase (LOI) | <ul style="list-style-type: none"> Assist with LOI negotiations and counter offers with prospective buyers. Provide analysis and guidance regarding purchase offers. | <ul style="list-style-type: none"> Focus on managing business. Be available for negotiations, visits, meetings as required. Provide updated financials when requested. Inform MD of substantive changes to business. |

CLOSING PROCESS

| | WhiteHorse Partners LLC | Client |
|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Due Diligence | <ul style="list-style-type: none"> Facilitate the collection and distribution of all pertinent due diligence documents. Coordinate communication and assist all members of the "working group"— buyer, seller, counsel, accountant, environmental and other consultants. Due Diligence": Assist Client in assembling complete M&A advisory team/Working Group. | <ul style="list-style-type: none"> Focus on managing business. Provide required information and access to prospective buyer. Provide updated financials when requested. Inform MD of substantive changes to business. |
| Definitive Purchase Agreement | <ul style="list-style-type: none"> Coordinate and monitor communication among Working Group. | <ul style="list-style-type: none"> Focus on managing business. Assist WHP in assembling Working Group. Provide updated financials when requested. Inform MD of substantive changes to business. |
| Closing | <ul style="list-style-type: none"> Assist buyer, seller and entire Working Group in every way possible to bring the transaction to a successful closing | <ul style="list-style-type: none"> Approve and execute documents to finalize sale of the business. Receive payment for sale of the business. |

WhiteHorse Partners, LLC

Mergers & Acquisitions



The Art of Creating and Maximizing Value

The sale of a privately held company is significantly different than the sale of any other asset you've ever owned. It's not like the sale of your home, real estate or property. It's not like the sale of any other tangible asset, such as an auto or boat. Acquirers of an operating company are acquiring the future profitability of your company, and they are willing to pay you multiples of that future profitability today.

At WHP, our primary goal is to assist our clients in creating and maximizing the profitability of their companies, which will in turn, maximize the ultimate transaction price. Most companies we represent are sold for a price many times their book value. Most transactions we manage result in a profit for the owner(s) greater than the sum total of all the profit they've ever generated for themselves as shareholders of their company.

The sale of a company is an intricate process with countless complexities. And because at its heart, the sale of a company is the sale of an "intangible" asset, how you go about selling your company can mean the difference between a great fortune and one that's insignificant. There is that great a differential between doing it right and not. Our experience tells us that doing it right is quite certainly an art.

Here are a few of the benefits WHP brings to the table for our clients:

| Feature | Benefit | Real World Example |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Broad-Based Accounting Knowledge: <ul style="list-style-type: none"> Our Analysts are proficient in numerous standard business accounting software platforms. We invest the time and energy to analyze and normalize each client's financial statements. We maximize the true profitability of each client company. Any fiscal issues are identified and addressed early in the process. | <ul style="list-style-type: none"> We Do The Work....so the client doesn't have to--saving the client valuable time, money & frustration. Substantially increases our understanding of the client's operations and enables us to present every client at its very best. Maximizing the company's profitability maximizes its value....it's that simple. | Energy Services Company: This client's use of independent contractors resulted in lower margins than if they had W-2 employees. Complete analysis and normalizing resulted in a \$7MM increase in purchase price. Oil & Gas Services Company: Thorough analysis revealed that tax refunds had been classified as revenue. WHP's analysis protected our client's credibility AND the purchase price, which would have been reduced by \$350k. |
| Deal Structuring Expertise: <ul style="list-style-type: none"> WHP Professionals possess a strong understanding of the US Tax Code, specifically as it relates to the purchase and sale of a privately owned company. Note: The possible range of taxation at the Federal level is between zero and more than 50%. | <ul style="list-style-type: none"> The terms of each Letter of Intent to Purchase (LOI) are dissected, analyzed and presented to our clients in understandable terms that reflect the end result and the ultimate bottom line. Transactions are structured to maximize the client's "after-tax net"...which is the only "net" that counts. | Construction Services Company: This client company was poorly structured for a sale. WHP recommended several steps that ultimately resulted in an overall increase to the client's "after-tax net" of more than \$1,000,000. |
| We Market Our Client Companies Without a Price | <ul style="list-style-type: none"> The acquirer is forced to make the first move/offer and WHP is in position to drive the negotiations. The client is not held to a pre-determined price when company sales and/or profitability increases. WHP is free to identify and target those buyers who will (due to synergies) pay the highest price for the company. The ability to negotiate other aspects of the transaction e.g., structure is greatly enhanced. | Oilfield Services Company: Before engaging WHP, this client had been given a financial value based upon comparable historical transactions and a low book value. By ignoring this valuation and marketing the client without a price, WHP was able to negotiate an offer \$3MM (37%) higher than the financial value. |

WhiteHorse Partners, LLC

Mergers & Acquisitions



WHAT TO EXPECT:

Now That the Letter of Intent (LOI) Has Been Signed

MANAGE YOUR BUSINESS

Continuing to manage your business as if you'll own it forever is very important. Remain focused on the day-to-day activities and do not take your eye off the ball for an instant. The White-Horse Partners (WHP) Process was designed to minimize the stress put on clients during Due Diligence. We will do everything we can to take the additional burden off of you so that you can focus on running your company. This is especially critical during this phase of the process. *The business is not sold until the ink is dry and the check clears.*

THERE WILL BE AT LEAST THREE SIGNIFICANT HURTTLES BEFORE CLOSING

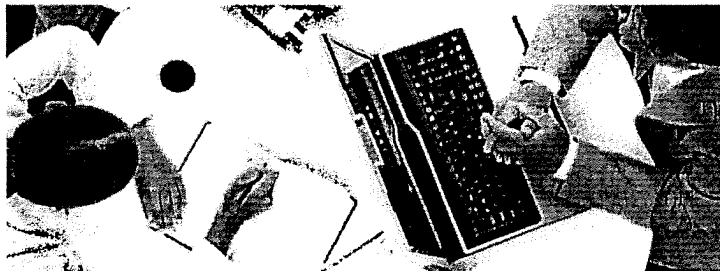
A long-time mentor told us decades ago that no matter who the client and buyer are, the transaction will appear to die three times (or more) between the date of signing the LOI and the date of closing. We at WHP will do all we can to anticipate eventualities that may occur, but nevertheless, the likelihood is that *there will be issues that arise*. We are committed to continually evaluate the process and the timeline, and will work in a timely manner to solve any issues that surface. Armed with decades of wisdom and experience, the WHP team will work closely with your entire advisory team to guide you over any hurdles encountered and effectively carry you across the finish line to a closed transaction.

COMMUNICATION IS KEY

Communication is vital between you and WHP. Any question or concern you may have throughout the transaction process, whether it is significant or not, will be addressed directly and honestly. With that said, we cannot read your mind, so *do not make assumptions*. Do not stew over an issue. Raise all concerns first and immediately with your WHP deal team. You hired us for our knowledge and experience. Undoubtedly, whatever it is that concerns you, we'll have experienced the same concern many times before and worked through it.

RESPONSIVENESS IS CRITICAL

Remember this: *Time Kills Deals*. Throughout the deal process, it is critical that we remain in close contact with you. When we reach out, please respond in a timely manner. It is extremely important to keep your cell phone on, reply to our text messages, and review emails often. The Due Diligence process is prime time for acquirers to request information, ask questions and make comments. They expect and deserve timely and complete responses. Our objective is to proceed to closing effectively and efficiently with minimal issues. Our commitment is to work cooperatively and diligently to get the deal closed.



INVEST IN THE DEAL: BUILDING A WORLD-CLASS ADVISORY TEAM

You have retained the services of one of the finest intermediaries. We ask that you take our recommendations seriously, as to the other professionals needed as part of your advisory team. You may need special accounting assistance during the deal process, in terms of tax strategies, preparation and planning. You may need an environmental specialist. Whichever professional is needed, getting it done right before the closing will save you money in the long term and will, without a doubt, save you stress and sleepless nights. *This is no time to penny pinch*. You worked a lifetime for this moment.... get the best help available and take their advice.

CONFIDENTIALITY

Once again, *the business is not sold until the ink is dry and the check clears*. WHP remains vigilant in protecting client confidentiality. We recommend and expect our clients to do the same. No one is to know until the deal is done...and the deal is not done until the check has cleared... it's that simple. Do not tell your customers, friends, or acquaintances. As for employees, it's business as usual. Employees are simply not to know... not even those with whom you are closest.

TAKE CARE OF YOURSELF

You've just taken on a second (or third) job assisting with the closing process. Although the WHP Process will alleviate much of the stress and responsibility that comes with Due Diligence, as you've just read, you will still have additional obligations that must be met. Carrying this extra heavy load can be highly stressful and utterly exhausting. This is why it is critical to keep a balanced lifestyle. Time management is extremely important and will allow you to stay focused on the daily activities and tasks that need to be accomplished, and also allow you to schedule much-needed down time. At WHP, we understand that it's not all about the money. It's about the quality of life, and in order to maintain a high quality of life, you must maintain balance. *You must take time out of each day to exercise, eat properly, and get adequate sleep.*

WhiteHorse Partners, LLC

Mergers & Acquisitions



ROBERT W. SCARLATA, Investment Banker, Author

BUSINESS EXPERIENCE

Sept 2013 thru Present – Sr. Managing Director (Dealmaker) with WhiteHorse Partners, LLC and Registered Representative with Stillpoint Capital, Tampa, FL (with over 130 M&A Affiliates Nationwide)

Securities conducted through StillPoint Capital Member FINRA/SIPC

1986 – August, '013

An investment banker/dealmaker for a *privately held Mergers & Acquisitions firm specializing in the marketing and sale of closely held businesses throughout the USA & Canada in addition to transition planning.*

Key Recent Events

- \$10MM Oil/Gas Services Company in Western USA sold to a \$700MM Private Equity Fund
- \$13MM Military arms related company sold to a strategic acquirer, 2nd transaction with this buyer
- \$3.5MM US based package coatings company under an LOI with a Canadian based PEG
- \$29MM Oil/Gas Services Company in Texas under LOI to a synergistic acquirer
- Munitions related high tech company licensed to a U.S. based arms company
- **Closed Eight Additional Transaction over the last 18 months** ranging from under \$1MM to \$14MM
 - \$13MM Oil/Gas Services Company to a multi-Billion dollar trading company
 - \$14MM Software Securities Company to a D.C. based Private Equity Group with international exposure
 - \$9MM Healthcare/Specialty Pharmacy
 - \$9.5MM winery in Canada
 - \$3.5MM printing company (83 yr old owner & his son) in the Midwest
 - \$1.9MM Canadian Energy Products Distribution Company
 - \$1.6MM Database Company specializing in college recruiting
 - \$23MM Hunting Sports Company based in Canada sold to a U.S. based Private Equity Group
 - <\$1MM Gift Card business sold for a local friend in poor health
- Authored *Manage To Sell Your Business: Wealth Creation Secrets of The Pros* available on Amazon & Kindle. How business owners can maximize the values of their business by emulating the tactics & strategies used by the best Private Equity Groups
- **Certified Business Exit Consultant™** designation received from Pinnacle Equity Solutions, the nation's foremost group dedicated to enabling the successful exit or transition of Business Owners & their respective companies
- **Life & Medical Insurance Licensed** in the State of Tennessee
- **Series 79 (Investment Banking) & Series 63 (State Securities Exam)** passed enabling full compliance in conjunction with our Broker/Dealer with the SEC & FINRA's requirements as to the sale of privately owned businesses involving securities (including any sell with retained equity for the Seller, any Seller financing and/or a Sale of Stock....which covers some 90+% of the private transactions being done in today's market)

1982 – 1986

Kampf Machinery Corporation of America, Nashville, Tennessee

An International corporation with \$60MM in sales specializing in custom, state of the art machinery for the plastics, paper, and converting industries.

1979 - 1982

Stahlkontor U.S.A., Fairfield, New Jersey

A West German manufacturer of specialized machinery for the plastics & paper industries throughout the world including the Eastern Block;

1976 - 1979

Arrow Converting Equipment, Inc., Fairfield, New Jersey

A manufacturer of slitters & rewinders and associated equipment for the adhesive tape, plastic, and web converting industries.

1971 - 1981

Student Leasing Services, Inc., Storrs, Connecticut

Specializing in renting 2.0 cu ft refrigerators to students at U.Conn, Founder & 100% shareholder

EDUCATION

1973 - 1976

University of Miami, Coral Gables, Florida - Juris Doctor Degree

1969 - 1973

University of Connecticut, Storrs, Connecticut - B.S. in Business Administration

Volunteer Efforts:

1998 – 2000

Blakemore United Methodist Church; Finance Committee

2002 – 2004

St. Croix Reformed Church – Finance Committee

2003 – 2012

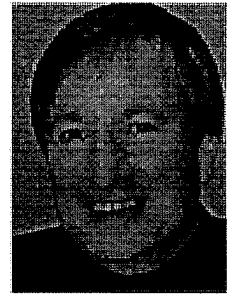
Kingshill School – Board of Directors including President

2005 – 2010

WhitWorth Homeowners' Association – BOD including President – 183 Homes, \$500,000+Budget

Personal:

Married To Rhonda L. Scarlata since 1989, Rhonda is a sole practitioner as a psycho-therapist



REFERENCES Available upon request.

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Nashville, TN 37205

615-383-5222 Office 615-512-3555 Cell 615-523-1104 Confidential Fax

BScarlata@WhiteHorse-Patners.LLC



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Nashville, TN 37205
615-371-1919 Office
Info@WhiteHorse-Partners.com

References

- 1) Jon Conlin
615-579-8453 Cell
Collegiate Sports Data
Represented Jon & his partner in the sale of his company.
- 2) Anthony Dobias
512-431-0771 Cell
AR Machining, Inc.
Represented Anthony in the sale of his company
- 3) Randy Luth
DPMS
612-219-8671 Cell
Represented Randy in the sale of the company
- 4) Andy Peterson
970-203-4263
Peterson Energy
Represented Andy & his wife Suzanne in the sale of their company
- 5) Gary Humphreys
817-825-0868
Able Tire
Represented Gary in the sale of his company
- 6) David Cutbirth
Quell Petroleum Services, Monahans
432-940-5376 DBCutbirth@Yahoo.com
- 7) Dewey Grinslade
Construction Turnaround Service, Snyder, TX
325-207-2708 Dgrinslade@CTSInspection.com